

PARLIAMENT
OF KENYA
LIBRARY

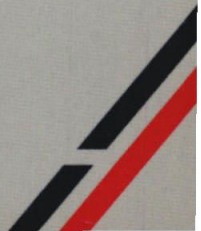


EXTENDING OUR HORIZONS

WISDOM BEYOND BORDERS

ANNUAL REPORT AND FINANCIAL STATEMENTS 2014

V18



OUR CORPORATE VISION

"To be the reinsurer of choice in our chosen markets"

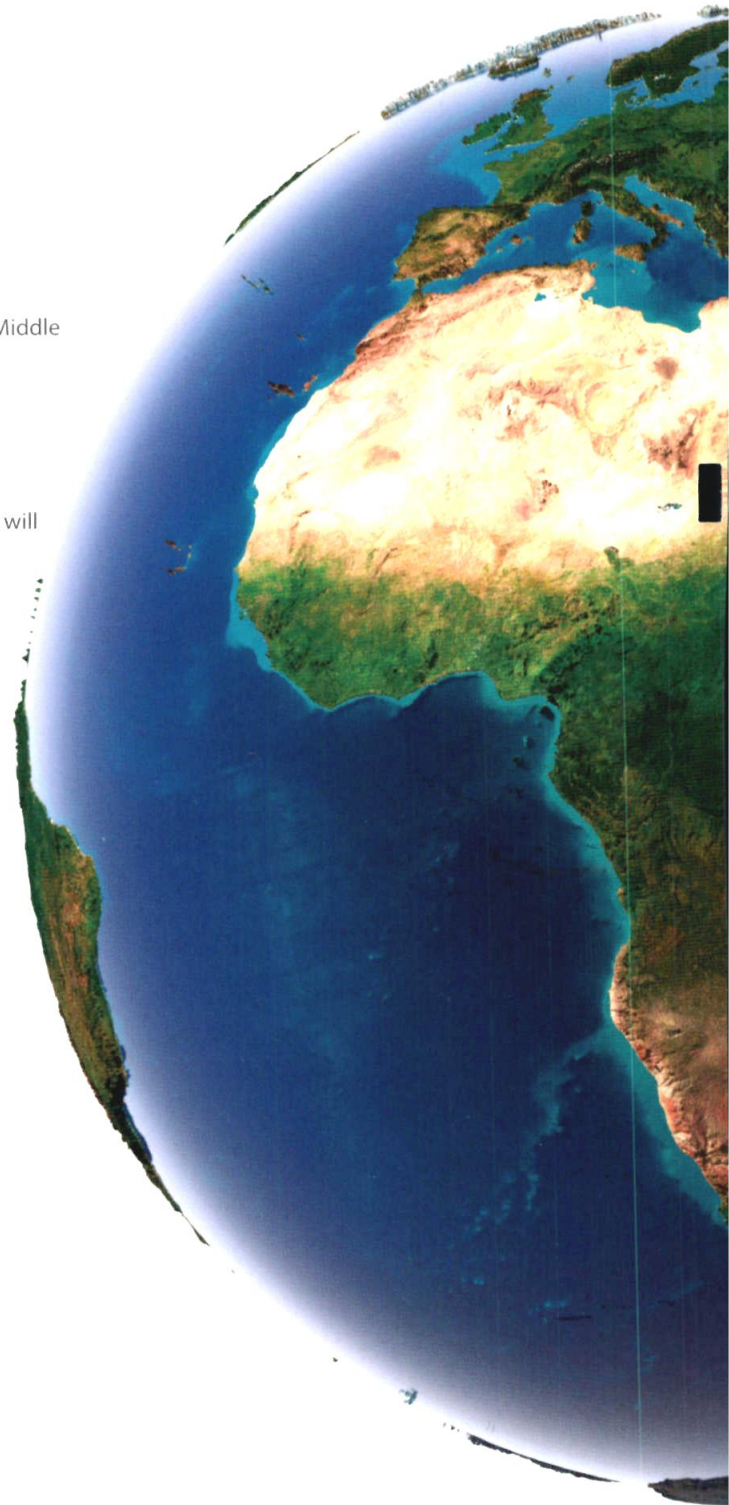
OUR CORPORATE MISSION

"To provide quality reinsurance services to our clients in Africa, Middle East and Asia"

OUR VALUES

Kenya Re pledges that all organizational activities and decisions will be based on and guided by the following values:

- Learning and Innovation
- Integrity
- Service Culture
- Team Work
- Objectivity
- Good Corporate Citizenship





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CORPORATE INFORMATION

DIRECTORS

Nelius Kariuki -Chairman
 Jadhah Mwarania -Managing Director
 Henry Rotich -Cabinet Secretary, National Treasury
 Chiboli Shakaba
 David Kemei
 Everest Lenjo
 Gladys Mboya
 Felix Okatch
 Maina Mukoma
 Dr. Lumbi M'Nabea
 Priscilla Mwangi

SECRETARY

Charles Kariuki
 Registration No. R/CPS B/2305
 Certified Public Secretary (Kenya)
 Reinsurance Plaza, Taifa Road
 P O Box 30271 – 00100 GPO
 Nairobi, Kenya

AUDITORS

Auditor General
 Kenya National Audit Office
 P O Box 30084 – 00100 GPO
 Nairobi, Kenya

ADVOCATES

Mose, Mose Milimo & Company
 Advocates
 Comcraft House, 3rd Floor
 Haile Selassie Avenue
 P O Box 9403 – 00200
 Nairobi, Kenya

M.A. Otega & Company Advocates
 Anniversary Towers, South Tower
 Mezzanine 2, University Way
 P O Box 46630 – 00100 GPO
 Nairobi, Kenya

BANKERS

Kenya Commercial Bank Limited
 Moi Avenue
 P O Box 30081 – 00100 GPO
 Nairobi, Kenya

Citibank NA
 Citibank House, Upper Hill
 P.O Box 3071 - 00100
 Nairobi, Kenya

REGISTERED OFFICE

Reinsurance Plaza
 Taifa Road
 P O Box 30271 – 00100 GPO
 Nairobi, Kenya

CONSULTING ACTUARIES

Alexander Forbes Financial Services (East Africa) Limited
 10th Floor, Landmark Plaza
 ArgwingsKodhek Road
 P O Box 52439 - 00200 City Square
 Nairobi, Kenya

Actuarial Services (East Africa) Limited
 10th Floor Victoria Towers
 Kilimanjaro Avenue, Upper hill
 P O Box 10472 – 00100 GPO
 Nairobi, Kenya

SHARE REGISTRARS

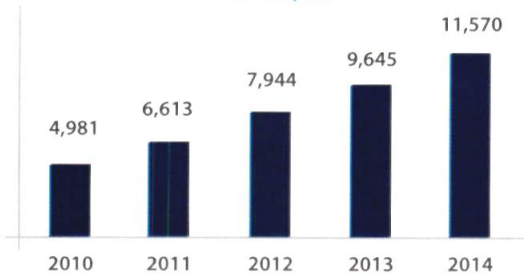
Image Registrars Limited
 Barclays Plaza, Loita Street, 5th Floor,
 P O Box 9287 – 00100 GPO
 Nairobi, Kenya

Kaplan & Stratton Advocates
 Williamson House
 4th Ngong Avenue
 P O Box 40111 – 00100
 Nairobi, Kenya

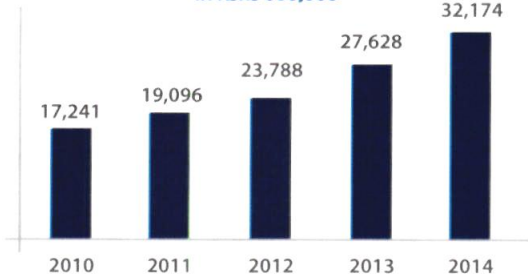
Bank of Africa
 Residence Verdier A13 1ER ET
 01 BP 7539 Abidjan 01
 Plateau, Cote d'Ivoire

FIVE YEAR PERFORMANCE ANALYSIS

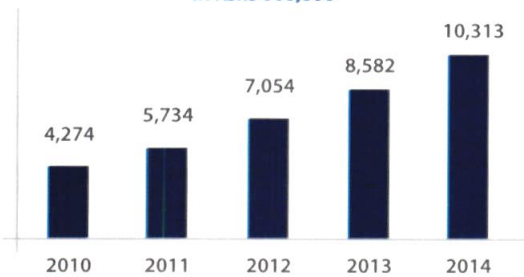
Gross Premiums Written
In Ksh 000,000



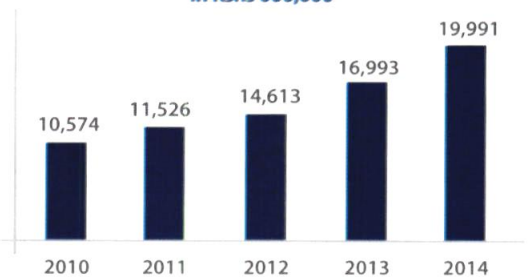
Total Assets
In Kshs 000,000



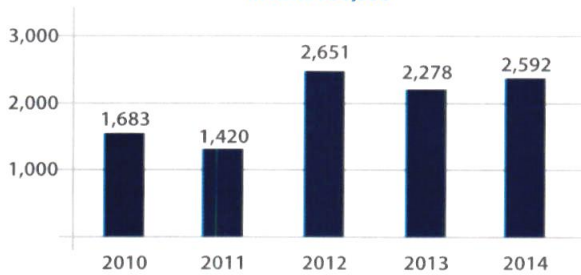
Net Premiums Written
In Kshs 000,000



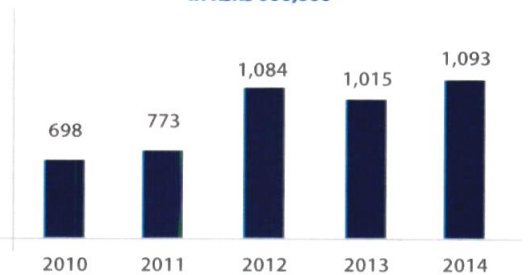
Shareholder's Funds
In Kshs 000,000



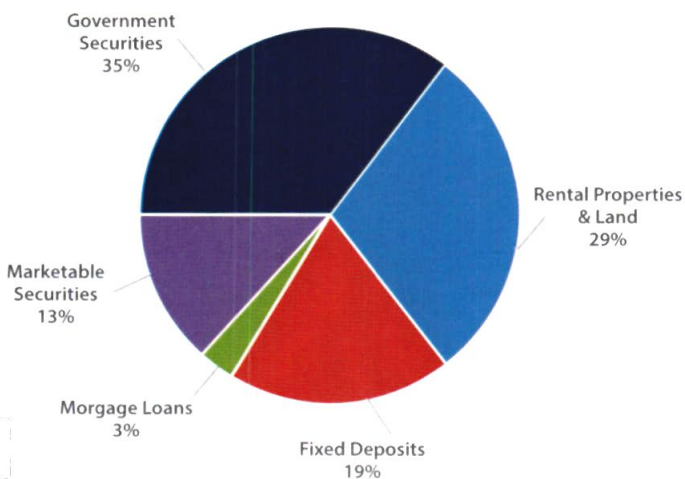
Investment Income
In Kshs 000,000



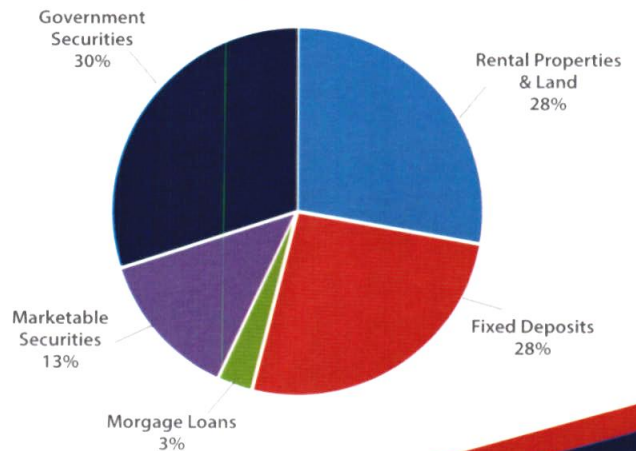
Management Expenses
In Kshs 000,000



2013



2014



NOTICE OF THE 2015 ANNUAL GENERAL MEETING

Notice is hereby given that the 17th ANNUAL GENERAL MEETING OF KENYA REINSURANCE CORPORATION LIMITED will be held at the **Kenyatta International Convention Centre, City Hall Way, Nairobi**, on **Friday, 26th June 2015 at 11.00 a.m.** when the following business will be transacted, namely:

AGENDA

1. Constitution of the Meeting - To read the notice convening the Meeting and determine if a quorum is present.
2. To receive, consider and, if approved, adopt the Corporation's audited Financial Statements for the year ended 31st December 2014 together with the Chairman's, Directors' and Auditors' Reports thereon.
3. To approve payment of a first and final dividend of **KShs0.70** per share, subject to withholding tax where applicable, for the financial year ended 31st December 2014 to the shareholders registered in our books as at 26th June 2015 on or about 31st July 2015, as recommended by the Board, and approve the closure of the Register of Members on 29th June 2015.
4. Election of Directors:
 - a) In accordance with Article 110 of the Corporation's Articles of Association, the following Director retires by rotation as a Director and, being eligible, offers himself for re-election:

Mr. Felix Okatch
 - b) **Mrs. Nelius Kariuki** and **Mrs. Gladys Mboya** who have served as Directors of the Corporation since 2003 and 2007 respectively have each individually advised the Corporation of their intention to retire at the forthcoming Annual General Meeting. Consequently, they will not offer themselves for re-election under Article 110 of the Corporation's Articles of Association.
5. To note the Directors' remuneration for the period ended **31st December 2014**.
6. Auditors
To note that the audit of the Corporation's books of accounts will continue to be undertaken by the Controller and Auditor-General or an audit firm appointed by him in accordance with Section 14 of the State Corporations Act and Sections 14 and 39 (i) of the Public Audit Act 2003.
7. To authorise the Directors to fix the remuneration of the Auditors.

SPECIAL BUSINESS

8. Expansion Programme – Creation of a subsidiary in Zambia

To consider and, if thought fit, to pass the following resolution as a special resolution:

- a) That the Company be and is hereby authorised to establish a subsidiary in Zambia on such terms and conditions as may be determined by the relevant regulatory authorities and the Board of Directors.
 - b) The Directors be and are hereby authorised to determine the conditions upon which the subsidiary in Zambia will be established and to obtain all the required regulatory approvals, consents and authorisations and generally to do and effect all acts and things required to give effect to the above resolution."
9. To transact any other business in respect of which due notice has been received.

By Order of the Board

Charles N. Kariuki
Corporation Secretary,
Kenya Reinsurance Corporation Limited
Reinsurance Plaza, 15th Floor, Taifa Road
P.O. Box 30271-00100
Nairobi

18 May 2015

NOTICE OF THE 2015 ANNUAL GENERAL MEETING

NOTES:

1. A member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company. To be valid, the form of proxy attached to this Annual Report or downloaded from the Corporation's website (www.kenyare.co.ke), must be duly completed and signed by the member and lodged at the registered offices of the Corporation's Share Registrars, **M/s. Image Registrars Limited, Barclays Plaza, 5th Floor, Loita Street, and of P.O. Box 9287 – 00100 GPO, Nairobi** or to be posted to the mail address, so as to reach **M/s. Image Registrars Limited**, not later than 24th June 2015 at 11.00 a.m.
2. Any member may by notice duly signed by him or her and delivered to the Corporation Secretary on the above address, not less than seven (7) days and not more than twenty one (21) days before the date appointed for the Annual General Meeting give notice of his or her intention to propose any other person for election to the Board, such notice to be accompanied by a notice signed by the person proposed of his or her willingness to be elected. The proposed person need not be a member of the Company.
3. Copies of the Corporation's complete Memorandum and Articles of Association are available for inspection on the Corporation's website (www.kenyare.co.ke) and also at the Company's Registered Offices – 15th Floor, Reinsurance Plaza, Taifa Road, Nairobi.

ILANI YA MKUTANO MKUU WA MWAKA WA 2015

Ilani inatolewa hapa kwamba MKUTANO MKUU WA 17 WA MWAKA WA SHIRIKA LA KENYA REINSURANCE CORPORATION LIMITED utafanyika katika Jumba la Mikutano ya Kimataifa la Kenyatta (KICC), mkabala na barabara ya City Hall Way, Nairobi siku ya Ijumaa tarehe 26 Juni 2015 kuanzia saataano asubuhi (5) ambapo shughuli zifutazo zitaendeshwa:

AGENDA

1. Ratiba ya Mkutano – Kusoma notisi inayotangaza Mkutano na kuamua iwapo idadi ya wanaofaa kuhudhuria mkutano imefika.
2. Kupokea, kuzingatia na, ikiwa itaidhinishwa, kuzikubali Taarifa za Kifedha za Shirika katika mwaka uliomalizikia tarehe 31 Desemba 2014 pamoja na Ripoti za Mwenyekiti, Mkurugenzi Mkuu na Mkaguzi wa Mahesabu ya Kifedha.
3. Kuidhinisha malipo ya mgao wa kwanza na wa mwisho wa Kshs. 0.70 kwa kila hisa, lakini baada ya kuondoa ushuru wa kushikilia pale panapostahili, katika mwaka wa kifedha uliokamilikia tarehe 31 Desemba 2014 kwa wenyehisa waliosajiliwa katika vitabu vyetu kuanzisa tarehe 26 Juni 2015 hadi karibu na au tarehe 31 Julai 2015, kama ilivyopendekezwa na Bodi, na kuidhinisha kufungwa kwa Sajili ya Wanachama tarehe 29 Juni 2015.
4. Uchaguzi wa Wakurugenzi Wakuu:
 - a) Kulingana na Kifungu cha 110 cha Mkataba wa Ushirikiano wa Shirika, mkurugenzi afuataye anastaafu kwa zamu kama Mkurugenzi Mkuu, na kwa sababu anastahili, anajitokeza kuchaguliwa tena.

Bw. Felix Okatch

- b) Bi. Nelius Kariuki na Bi. Gladys Mboya ambao wamehudumu kama Wakurugenzi wa Shirika hili kutokea mwaka wa 2003 na 2007 mtawalia, kila mmoja wao amelishauri Shirika hili kwamba wana nia na azma ya kustaafu katika kikao cha Mkutano Mkuu ujao. Hali kadhalika, hawatajitolea kwa uteuzi wa ukurugenzi mkuu kama ilivyo katika Kifungu cha 110 cha Mkataba wa Ushirikiano wa Shirika.
5. Kufahamu kuhusu ujira wa Wakurugenzi Wakuu katika mwaka uliomalizikia tarehe 31 Desemba 2014.
6. Wakaguzi wa Mahesabu ya Kifedha

Kufahamu kwamba ukaguzi wa vitabu vya uhasibu vya Shirika hili utaendelea kuendeshwa na Mkuu wa Bajeti na Mkaguzi Mkuu au shirika la ukaguzi wa mahesabu lililoteuliwa naye kulingana na Sehemu ya 14 ya Sheria ya Mashirika ya Kitaifa na Sehemu ya 14 na 39 (i) ya Sheria ya Ukaguzi wa Umma ya mwaka 2003.
7. Kuidhinisha Wakurugenzi Wakuu ili kuamua mshahara wa Wakaguzi wa Mahesabu.

SHUGHULI MAALUM

8. Mpango wa Upanuzi – Kuunda utanzu nchini Zambia

Kuzingatia na ikionekana kufaa, kupitisha maazimio yafuatayo kama maamuzi maalum:

 - a) “Kwamba Kampuni hii iwe na iidhinisha kuundwa kwa utanzu nchini Zambia kulingana na kanuni na masharti kama inavyoweza kuamuliwa na mamlaka ya usimamizi ifaayo pamoja na Bodi ya Wakurugenzi Wakuu.
 - b) Wakurugenzi Wakuu wawe na wadhinishwe kuamua masharti ambayo kwayo utanzu huo wa Zambia utaundwa na kupata idhini zote za kisheria zinazohitajika, ruhusa na vibali na kwa jumla kudumisha na kutekeleza sheria zote na mahitaji yote yanayotakiwa katika kufanikisha maamuzi yaliyotajwa hapo juu.”
9. Kuendesha shughuli nyingine yoyote ambayo ilani hii imetolewa kuihusu.

Kwa Amri ya Bodi
 Charles N. Kariuki
 Katibu wa Shirika
 Kenya Reinsurance Corporation Limited
 Reinsurance Plaza, Ghorofa ya 15, Taifa Road
 S.L.P. 30271-00100
 Nairobi
 Tarehe 18 May 2015

ILANI YA MKUTANO MKUU WA MWAKA WA 2015

FAHAMU:

1. Mwanachama anayeruhusiwa kuhudhuria na kupiga kura katika mkutano huo na ambaye havezi kuhudhuria anaruhusiwa kuteua mwakilishi kuhudhuria na kupiga kura kwa niaba yake. Si lazima mwakilishi huyo awe mwanachama wa Kampuni hii. Ili ikabulike, fomu ya mwakilishi iliyoambatishwa kwenye Ripoti hii ya Mwaka au iliyoopolewa kutoka tovuti ya Shirika hili (www.kenyare.co.ke), lazima ijazwe kikamilifu na isainiwe na mwanachama na kuwasilishwa katika ofisi zilizosajiliwa za Msajili wa Hisa za Kampuni, M/S. image Registrars Limited, Barclays Plaza, Ghorofa ya 5, barabara ya Loita Street, na ya S.L.P 9287 -00100 GPO, Nairobi au itumwe kwa anwani ya baruapepe, ili itufikie sisi M/s. Image Registrars Limited, kabla ya kuisha kwa tarehe 24 Juni 2015 saa tano asubuhi.
2. Mwanachama yeyote anaweza, kupitia ilani iliyosainiwa naye na kuwasilishwa kwa Katibu wa Shirika kupitia anwani iliyotolewa hapo juu katika muda usiopungua siku saba (7) na usiozidi siku ishirini na moja (21) kabla ya tarehe iliyoratibiwa kufanyika Mkutano Mkuu wa Mwaka, kutoa ilani ya kusudio lake la kupendekeza mtu mwingineo kwa Bodi ya uchaguzi, ilani kama hiyo iandamane na notisi iliyotiwa saini na mtu aliyependekezwa ikiwa na nia yake ya kuchaguliwa. Mtu aliyependekezwa si lazima awe mwanachama wa Kampuni.
3. Nakala za Maafikiano na Mkataba wa Ushirikiano wa Shirika zilizojazwa zinapatikana kwa ajili ya ukaguzi kwenye tovuti ya Shirika (www.kenyare.co.ke) pamoja na katika Afisi Zilizosajiliwa za Kampuni –Ghorofa ya 15, Reinsurance Plaza, Taifa Road, Nairobi.

BOARD OF DIRECTORS



Seated (Left to Right)

Jadhah M. Mwarania

Nelius Kariuki

Priscilla M. Kirigua

Dr. Lumbi Wa M'nabea

Managing Director

Chairman

Non-Executive Director

Non-Executive Director



Standing (Left to Right)

Protus Sigei
Gladys M. Mboya
Maina Mukoma
Chiboli Shakaba
David Kemei
Felix O. Okatch
Everest M. Lenjo

Representative, National Treasury
Non-Executive Director
Non-Executive Director
Non-Executive Director
Non-Executive Director
Non-Executive Director
Non-Executive Director

Not in Picture

Henry K. Rotich

Cabinet Secretary, National
Treasury & Non-Executive Director

DIRECTORS' PROFILE



NELIUS KARIUKI, CHAIRMAN & NON-EXECUTIVE DIRECTOR

Mrs. Nelius Kariuki is holder of Bachelor of Arts (Hons.) (Economics) and Master of Arts (Economics) degrees from the University of Nairobi. She worked with various Ministries in Government rising to the level of Principal Economist until 1990. She is currently in private business being the Director of Nelleon Development Company. She is also a director of Zep Re (PTA Reinsurance Company) and a member of the Institute of Directors.



JADIAH MWARANIA, MANAGING DIRECTOR

Mr. Mwarania is the Managing Director of the Corporation. He has worked with the Corporation for over 20 years and was previously the General Manager (Reinsurance Operations) and Acting Managing Director. He holds a Bachelor of Commerce (B.com.) (Hons.) and Master of Business Administration (MBA) degrees from The University of Nairobi. He is a Fellow of the Chartered Insurance Institute of London (FCII), and the Insurance Institute of Kenya (FIK). Mr. Mwarania is a Chartered Insurer (CI) of the Insurance Institute of London, the highest and the most prestigious level of professional achievement with the Institute, and a Fellow of the Kenya Institute of Management (AMKIM). He is also a member of the Board of Directors of Industrial Development Bank (IDB), an Alternate Director on the Board of Directors of Zep Re (PTA Reinsurance Company) and the Chairman Executive Committee (EXCO) of the Association of Kenya Reinsurers (AKR). He is a Board Member of the Insurance Training and Education Trust (ITET) Board and member of the Finance and Development Board Committee of the College of Insurance of Kenya. Mr. Mwarania is a holder of the Order of Grand Warrior Award (OGW)



HENRY K ROTICH, CABINET SECRETARY, NATIONAL TREASURY & NON-EXECUTIVE DIRECTOR

Mr. Henry K. Rotich is the Cabinet Secretary for National Treasury. Prior to his appointment, he was the Head of Macroeconomics at the Treasury, Ministry of Finance for 7 years. Prior to joining the Ministry of Finance, Mr. Rotich worked at the Central Bank of Kenya for 12 years. He was attached to the International Monetary Fund (IMF) local office in Nairobi as an economist between 2001 - 2004. He has been a Director of several Boards of State Corporations including; Insurance Regulatory Board, Industrial Development Bank, Communication Commission of Kenya and Kenya National Bureau of Statistics. Mr. Rotich holds a Master's Degree in Public Administration (MPA) from the Harvard Kennedy School, Harvard University. He also holds MA and BA degrees in Economics (University of Nairobi)



GLADYS MUMBUA MBOYA, NON-EXECUTIVE DIRECTOR

Mrs. Mboya is an Advocate of the High Court of Kenya. She is the Managing Partner of Mboya Wangong'u & Waiyaki Advocates with over eighteen years experience in Commercial and Corporate practice. She is a Certified Public Secretary of Kenya, a Member of the Chartered Institute of Arbitrators and a Mentor with the Global Give Back Circle (GGBC). She holds a Masters degree in Business Administration (MBA) from the University of Warwick (UK), a Bachelor of Laws with Honours degree (LLB) from the University of Wales, Aberystwyth (UK) and a Diploma in Law from the Kenya School of Law. Mrs. Mboya is the Chairman of the Risk & Compliance Committee of the Corporation's Board.



EVEREST MATOLO LENJO, NON-EXECUTIVE DIRECTOR

Mr. Lenjo holds a Bachelors degree in Business Administration (International Trade & Marketing) from City University of New York and a Masters in Business Administration (Corporate Finance) degree from St. John's University Queens New York. He previously worked in the oil industry with Caltex Oil Kenya in various managerial levels in the regional marketing and trading of fuels in East and Central Africa. He currently is a consultant in exports, trading and transport logistics in the regional fuels market. Mr. Lenjo is the Chairman of the Audit Committee of the Corporation's Board.

DIRECTORS' PROFILE



FELIX OWAGA OKATCH, NON-EXECUTIVE DIRECTOR

Mr. Okatch is a graduate of Commerce from The University of Nairobi in the mid 1970s. He also holds a post graduate diploma from Helsinki School of Economics and an executive MBA from Makerere University Business School. Mr. Okatch is a multilateral trade expert and has over 30 years working experience in local and multinational Corporations. He is the author of "Marketing Management Systems" and other publications on corporate governance, marketing and economic issues.

Mr. Okatch is a member of the Institute of Directors of Kenya and also serves on the boards of various organizations in Kenya and serves as a council member at Outward Bound Trust (K) and APSEA. He is the Chairman of Finance, Investment and Tender Oversight Committee of the Corporation's Board.



PRISCILLA MUTHONI MWANGI, NON-EXECUTIVE DIRECTOR

Mrs. Mwangi holds a BSc degree in Actuarial Science from Roosevelt University, Chicago Illinois, and an MBA (Operations and Strategic Management) from DePaul University, Chicago Illinois. Until the year 2010, she was director of the Health Insurance business unit of the CFC Group.



DR. LUMBI WA M'NABEA, NON-EXECUTIVE DIRECTOR

Dr. M'Nabea holds a BSc. degree in Public Health from Walden University and an MSc. in Rehab Psychology, from the Eastern Washington University. He is currently the National Chairman of The Association for the Physically Disabled of Kenya (APDK) and the Executive Director at Africa Spinal Injuries Centre (ASIC). He has previous working experience with Healthlink Kenya, Kenya Airways and the Aga Khan Hospital. He is the Chairman of Human Resources and Corporate Affairs Committee of the Corporation's Board.



MAINA MUKOMA, NON-EXECUTIVE DIRECTOR

Mr. Mukoma holds a Bachelor of Commerce degree (Accounting Option) from the University of Nairobi. He is an Associate of Chartered Insurance Institute of London, UK (ACII), Associate of Chartered Institute of Arbitrators, UK (ACIrb), and an Associate Member of the Kenya Institute of Management (AMKIM). He is an Insurance, Risk and Management Consultant. He is also a Trustee(Director) of Insurance Training and Education Trust (College of Insurance) , a Director of Global Securities Insurance Brokers Ltd (Tanzania) and a Director of Global Capital Securities Limited.



CHIBOLI INDULI SHAKABA, NON-EXECUTIVE DIRECTOR

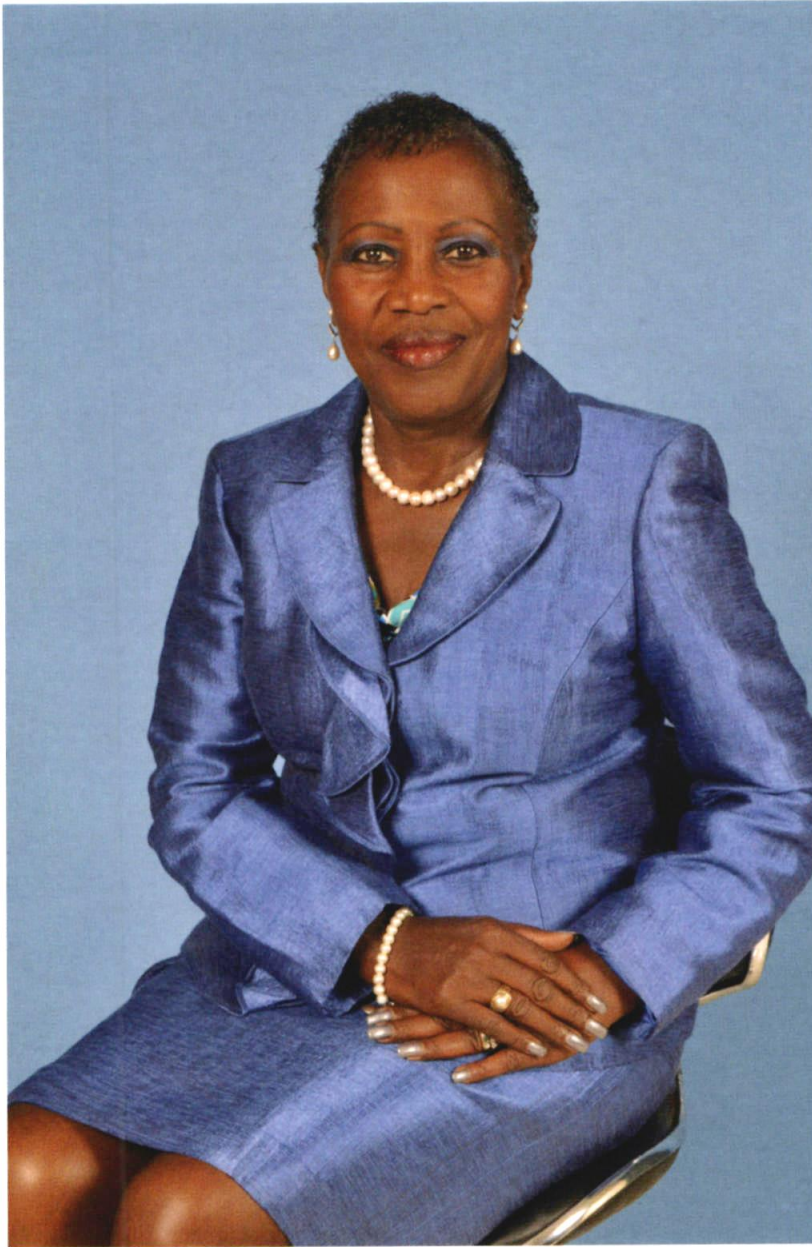
Mr. Shakaba holds a Bachelor of Arts Degree in Political Science from the University of Nairobi and a Master's Degree in Public Administration (MPA) from Harvard University. He has served in different capacities in the public service starting in the Provincial Administration as a District Officer between 1980 and 1986. He thereafter served in various ministries of the Central Government raising to the level of Director of Administration. He has also served as an Alternate Director in various State Corporations and is a member of the Institute of Directors of Kenya. He is a recipient of the Order of the Burning Spear (MBS). He was the Permanent Secretary in the Ministry of East African Community from April 2012 to June 2013.



DAVID KIBET KEMEI, NON-EXECUTIVE DIRECTOR

Mr. Kemei holds a Bachelor of Commerce Degree in Accounting and a Masters in Business Administration both from the University of Nairobi. He is a Certified Public Accountant (CPA (K)) and a Certified Regulation Specialist. He started his career as a Management Trainee at the Kenya National Trading Corporation in 1990, then became a Tutorial Fellow at the University of Nairobi from October 1990- 1992 when he became an Assistant Lecturer a position he held until January 1994. From 1994 –September 1996 he was the Group Credit Controller at Nation Media Group then he moved to Windsor Golf Hotels and Country Club Ltd as the Finance Manager from 1996-1998, when he moved to start a consultancy firm. He joined Energy Regulatory Commission and served as a Financial Analyst from 2000-2007. He is currently the Chief Executive Leader at DGMB Training Solutions Ltd a position he has held since January 2008.

CHAIRMAN'S STATEMENT



FOREWORD

It is my pleasure once again to present to you the Annual Report and Financial statements for Kenya Reinsurance Corporation for the year 2014.

BUSINESS ENVIRONMENT

Kenya as a country has been unfortunate to experience a heightened wave of terrorism-related incidences which directly affected the business environment. We are all aware of the attack on Westgate shopping Mall. We also had the unfortunate fire incident at the Jomo Kenyatta International Airport (JKIA) in the last quarter of the year 2013. These two calamities formed a major part of our claims payment in 2014.

Internationally epic flooding in southern Thailand and northern Malaysia destroyed lives, and subsequently leading to billions of shillings in claims. However despite the challenging business environment, Kenya Re has continued to deliver positive results.

The domestic economic growth outlook remains positive with better agricultural output and a stable macroeconomic environment.

We in the insurance industry stand to benefit from this positive outlook.

INDUSTRY TREND

The insurance sector has witnessed tremendous growth overtime with many companies coming up with unconventional products and services to meet the needs of the vigorously dynamic market. The emergence of Takaful business, micro insurance and agricultural insurance, political risk and terrorism has necessitated provision of reinsurance service to the industry.

These and the recent discovery of oil in Northern Kenya and gas in Tanzania continues to bring excitement in the market. Kenya Re has aligned its strategies to tap into this new line of business.

We have geared our business to not only capture every presentable investment opportunity but also bring value to you our shareholders.

FINANCIAL PERFORMANCE

Am pleased to note that we have delivered impressive results during this period under review; Gross premium written, the Net earned premiums and investment income have all shown an upward progression. I am delighted to note that this has seen our profit before tax rise from Kshs 3.2 billion to Kshs 3.9 billion, a 20% growth.

Our asset base grew from Kshs 27.6 billion to Kshs 32.1 billion, a 16% increase while the Corporation shareholder's funds rose from Kshs 16.9 billion to Kshs 19.9 billion, a growth of 18%.

CHAIRMAN'S STATEMENT (CONTINUED)

STRATEGIC FOCUS

Our strategic focus is to grow our reinsurance business which is our core business as well as our investment portfolio. With the continued implementation of our strategy, we believe that we will increase market share, enhance corporate governance, improve risk management and internal control systems, produce sustainable financial growth, receive high return on our investment, increase company's shareholder value and enhance investor confidence.

BUSINESS DEVELOPMENT

Kenya Re has on the other side continued to expand into regional markets in Africa and the Middle East. Presently, we have a business presence in over 62 countries and in over 265 insurance companies in Africa, Middle East and Asia.

These companies are benefiting from our extensive services. Our Regional office in West Africa which is now fully subsidiarised remains on course in meeting its targets. We are in the process of setting up base in Lusaka, Zambia for the southern African markets. We shall keenly keep focusing on new opportunities that can offer market diversification to cater for our clients needs and expand our horizon.

CORPORATE SOCIAL RESPONSIBILITY

The Corporation has continued to build strong partnerships with its stakeholders and also with the wider society through our CSR campaign to bolster the social and economic stature of the needy in the society.

I would like to acknowledge the impact of the 2014 Niko Fiti campaign which saw over 1000 physically challenged citizens benefit from free wheelchairs, tricycles, prosthesis and walking canes among other assorted devices.

We commit to benefit more deserving individuals this year as we explore ways and means of providing sustainable lifestyles to those who have received their assistive devices. We urge you and the society at large to join us in this worthy course.

DIVIDEND

Our commitment to grow shareholder value remains intact as evidenced by the strong full year performance. The after tax profit for the year stood at Kshs 3.1 billion. Based on this impressive performance, the board has recommended a first and final dividend of Kshs 70 cents.

APPRECIATION

I take this opportunity to record my sincere gratitude to the Government of Kenya, our key shareholder for continued support and guidance, all the regulatory authorities and agencies that provide ample support to Kenya Re.

To you our valued customers and investors, we are grateful for your sustained support and confidence. It gives us the impetus to go on. I convey my appreciation to my colleagues on the Board for their invaluable contribution and dedication in guiding the Corporation to achieve its mandate.

My special recognition and gratitude goes to the management and staff of Kenya Re. These results would not have been achieved without your dedication and hard work.

On behalf of the Kenya Re directors and over 100 employees, I assure you of our continued total dedication and tireless efforts towards the objective of maximizing returns for all stakeholders.

THANK YOU AND MAY GOD BLESS YOU ALL.



Nelius Kariuki
Chairman

RIPOTI YA MWENYEKITI



UTANGULIZI

Ni furaha yangu kwa mara nyingine tena kuwasilisha kwenu Ripoti na Taarifa za Kifedha za Mwaka wa 2014 za shirika la Kenya Reinsurance Corporation.

MAZINGIRA YA KIBIASHARA

Nchi ya Kenya imekuwa na mikosi hasa kuhusiana na visa vya kigaidi ambavyo viliathiri moja kwa moja mazingira ya kibiashara. Sote tunafahamu kuhusu mashambulizi yaliyofanyika katika Kituo cha Kibiashara cha Westgate. Pia tunakumbuka mkasa wa moto uliotokea katika Uwanja wa Kimataifa wa Ndege wa Jomo Kenyatta (JKIA) katika robo ya mwisho ya mwaka 2013. Mikasa hiyo miwili ilikuwa kati ya iliyochukua fidia kubwa ambazo tulitoa katika mwaka wa 2014.

Kimataifa, gharika na mafuriko makuu katika maeneo ya kusini mwa Thailand na kaskazini mwa Malaysia yalizua maafa mengi, na kusababisha madai ya fidia za mabilioni ya pesa.

Hata hivyo, licha ya mazingira hayo ya kibiashara yenye changamoto, Kenya Re imeendelea kutoa matokeo mazuri.

Kwa kiwango kikubwa, mustakabali wa ukuaji wa uchumi kitaifa unabakia kuwa mzuri kutokana na mavuno mazuri ya kilimo na mazingira thabiti ya uchumi wa kimataifa.

Sisi katika sekta ya bima tuko katika nafasi nzuri ya kunufaika kutokana na mustakabali huo mzuri.

MIELEKEO YA BIASHARA

Sekta ya bima imeshuhudia ukuaji mkubwa kwa muda ambapo kampuni nyingi zimechipuka na bidhaa na huduma za kipekee kubuniwa ili kukidhi mahitaji ya soko hili linalobadilika kila uchao. Uchipukaji wa biashara ya Takaful, bima ya kiwango kidogo na bima ya kilimo, bima ya hatari za kisiasa na ugaidi, umesababisha haja ya kuanzisha huduma ya bima kuu katika biashara hii.

Matokeo haya pamoja na ugunduzi wa mafuta ya visukuku hivi majuzi katika eneo la Kaskazini mwa Kenya na pia gesi nchini Tanzania yanaendelea kutoa msisimko katika biashara hii.

Tumeegemeza biashara yetu si tu kwa kudakia kila nafasi ya uwekezaji inayojitokeza lakini pia kwa kuwaletea thamani wenyehisia wetu.

MATOKEO YA KIFEDHA

Ninaona fahari kutaja kwamba tumepata matokeo ya kujivunia katika kipindi hiki kinachorejelewa; Jumla ya bima iliyopatikana, mapato baada ya kuondoa gharama ya bima na mapato ya uwekezaji yote yameonyesha uimarikaji. Nina furaha kusema

RIPOTI YA MWENYEKITI (CONTINUED)

kwamba hii ilipelekea faida yetu kabla ya ushuru kupanda kutoka Ksh3.2 bilioni hadi Ksh3.9 bilioni, huu ukiwa ni ukuaji wa 20%.

Rasilimali zetu zilikuwa kutoka Ksh27.6 bilioni hadi Ksh32.1 bilioni, hili likiwa ongezeko la 16% huku fedha za wenyehisa zikikua kutoka Ksh16.9 bilioni hadi Ksh19.9 bilioni, huu ukiwa ni ukuaji wa 18%.

MIKAKATI MAALUM

Mikakati yetu mikuu ni kukuza biashara yetu ya bima ambayo ndiyo biashara nguzo kwetu, mbali na kupanua kitengo chetu cha uwekezaji. Tunapoendelea kutekeleza mkakati wetu, tunaamini kwamba tutazidisha posho letu sokoni, kuimarisha usimamizi bora wa kishirika, ukabilianaji na hatari pamoja na mifumo ya ndani ya kudhibiti, kupata ukuaji thabiti wa kifedha, kupokea matokeo mazuri yanayotokana na uwekezaji wetu, kuongeza thamani kwa wenyehisa wetu na kuimarisha imani ya wawekezaji.

USTAWISHAJI BIASHARA

Kwa upande mwingine, Kenya Re imeendelea kujipanua hadi katika masoko ya kimaeneo barani Afrika na katika Mashariki ya Kati. Kwa sasa biashara yetu imefika katika mataifa yanayozidi 62 na katika zaidi ya kampuni 265 za bima barani Afrika, Mashariki ya Kati na Asia.

Kampuni hizi zinanufaika kutokana ka huduma zetu pana. Afisi yetu ya kimaeneo katika ukanda wa Afrika Magharibi ambayo sasa imekuwa biashara tanzu kamili inasalia kuwa njia mojawapo ya kufikia malengo yetu. Tumo katika harakati ya kuunda afisi mjini Lusaka, Zambia kwa ajili ya masoko ya ukanda wa Afrika ya Kusini. Tutaendelea kuzingatia kwa makini nafasi mpya zinazochipuka ambazo zinaweza kuwezesha upanuzi wa masoko ili kukidhi mahitaji ya wateja wetu pamoja na kupanua peo zetu.

JUKUMU LA SHIRIKA KWA JAMII

Shirika hili limeendelea kuimarisha ushirikiano thabiti na wadau wake pamoja na jamii pana kupitia kwa juhudi za CSR (Jukumu la Kiushirika kwa Jamii) ili kuimarisha hali ya kijamii na kiuchumi ya watu wasiobahatika katika jamii.

Ningependa kutambua manufaa ya kampeni ya Niko Fiti ya mwaka 2014 ambayo iliwezesha zaidi walemavu 1000 kunufaika kutokana na viti vya bure vya magurudumu, baiskeli za magurudumu matatu, viungo bandia na mikongojo ya kutembelea miongoni mwa vifaa vingine mbalimbali.

Tunajitolea kuendelea kunufaisha wananchi wetu wenye uhitaji mwaka huu, huku tukiendelea kutafuta njia na mbinu za kutoa mitindo thabiti ya maisha kwa watu waliopokea vifaa hivyo vya kuwasaidia. Tunawaomba ninyi na jamii kwa jumla kuungana nasi katika kutekeleza jukumu hili muhimu.

MGAO

Maazimio yetu ya kukuza thamani ya wenyehisa wetu yanabakia thabiti kama inavyodhihirika katika matokeo ya mwaka uliokamilika. Faida baada ya ushuru katika mwaka huo ilifika Ksh3.1 bilioni. Kutokana na matokeo hayo ya kufurahisha, bodi hii imependekezwa mgao wa kwanza na wa mwisho wa Senti 70 (Ksh 0.70).

SHUKRANI

Ninachukua fursa hii kuwasilisha shukrani zangu za dharti kwa Serikali ya Kenya, ambao ndio wenyehisa wetu wakuu, kwa kuendelea kutuunga mkono na kutupa muongozo, mamlaka zote za usimamizi na mashirika yote yanayounga mkono Kenya Re.

Kwa wateja na wawekezaji wetu wapendwa, tunayo furaha kuu kutokana na msaada na imani yenu kwetu isiyokatika. Hilo hutupatia nguvu za kuendelea na shughuli zetu.

Ninatoa shukrani zangu za dharti kwa wenzangu katika Bodi hii kwa mchango wao usio kifani pamoja na kujitolea kwao katika kuongoza Shirika hili katika utimizaji wa majukumu yake.

Ninatambua kwa njia ya kipekee idara ya usimamizi na wafanyakazi wote wa Kenya Re. Matokeo haya hayangepatikana bila kujitolea kwenu na kwa bidii yenu kazini.

Kwa niaba ya Wakurugenzi wa Kenya Re pamoja na wafanyakazi wake wanaozidi 100, ninawahakikishia uwepo wa kujitolea kwetu kikamilifu pamoja na jitihada zisizoisha katika uzingatiaji wa malengo yetu kwa nia ya kupata matokeo mazuri zaidi kwa ajili ya wadau wetu.

ASANTENI NA MUNGU AWABARIKI NYOTE.



Nelius Kariuki
Chairman

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2014

The directors have the pleasure of presenting their report together with the audited financial statements of Kenya Reinsurance Corporation Limited (the "Corporation") for the year ended 31 December 2014 which show the Corporation's state of affairs.

PRINCIPAL ACTIVITIES

The principal activities of the Corporation are underwriting of all classes of reinsurance business and investment activities.

RESULTS

	2014 ksh'000
Profit before taxation	3,919,732
Taxation charge	(782,560)
Profit for the year transferred to retained earnings	3,137,172

DIVIDENDS

The directors recommend the payment of a first and final dividend of Sh 0.70 (2013 – Sh 0.60) per share totalling to 490 million for the year ended 31 December 2014 (2013 – Sh 420 million).

DIRECTORS

The present membership of the Board is set out on page 4.

- a) In accordance with Article 110 of the Corporation's Articles of Association, the following Director retires by rotation as a Director and, being eligible, offers himself for re-election:

Mr. Felix Okatch

- b) **Mrs. Nelius Kariuki** and **Mrs. Gladys Mboya** who have served as Directors of the Corporation since 2003 and 2007 respectively have each individually advised the Corporation of their intention to retire at the forthcoming Annual General Meeting. Consequently, they will not offer themselves for re-election under Article 110 of the Corporation's Articles of Association.

SECRETARY

The Corporation's Secretary is Mr Charles Kariuki.

AUDITORS

The Auditor General is responsible for the statutory audit of the Corporation's books of account in accordance with Sections 14 and 39(i) of the Public Audit Act, 2003, which empower the Auditor General to nominate other auditors to carry out the audit on his behalf.

Deloitte & Touche were appointed by the Auditor General to carry out the audit for the year ended 31 December 2014.

BY ORDER OF THE BOARD



Secretary
Nairobi
2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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 requirements of the Kenyan Companies Act, and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

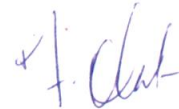


Principal Officer

2015



Chairman



Director

MANAGING DIRECTOR'S STATEMENT



PERFORMANCE

I am pleased to present you with a report on the Corporation's performance for the financial year 2014. Focused execution and implementation of our 5-year corporate strategies coupled with the strong macroeconomic environment have continued to drive growth and to obtain increased shareholder value. As a business we have designed and continue to implement a strategy that creates a top performing reinsurance company that delivers sustainable value for the shareholders. The Corporation has continued to achieve improved performance in all its areas of operations. To be on top of its game the Corporation bears in mind the competitive and dynamic business environment as well as the international nature of reinsurance business.

FINANCIAL RESULTS

During the year 2014, Gross premiums written grew by 20% from Kshs 9.6 billion in the year 2013 to Kshs 11.6 billion. The net earned premiums grew from Kshs 8.6 billion to Kshs 10.3 billion, a 20% increase. This growth in gross written premium was as a result of continued implementation of our strategic plan and the overwhelming support from cedants across the Corporation's chosen markets.

The net claims incurred grew by 26% from Kshs 4.7 billion in 2013 to Kshs 5.9 billion in 2014. The growth in claims was more out of severity rather than frequency of claims. Our investment income increased by 14% to Kshs 2.5 billion in 2014 from Kshs 2.2 billion in the previous year. This performance was mainly due to 24% increase in the returns from fixed income instruments and 15% growth in rental income. Our investment portfolio increased by 14% to Kshs 25 billion.

OVERALL PERFORMANCE

Pretax profits grew by 20% from Kshs 3.2 billion in 2014 to Kshs 3.9 billion. This was supported by 20% growth in gross premiums, 14% growth in investment income and modest growth in operating and other expenses of 8%. Profit after tax increased by 12% from Kshs 2.7 billion in 2013 to Kshs 3.1 billion in 2014.

FINANCIAL POSITION

The Corporation's assets base increased by 16% from Kshs 27.6 billion in 2013 to Kshs 32.1 billion in 2014. The shareholders funds were up 18% from Kshs 16.9 billion in 2013 to Kshs 19.9 billion in 2014. This increase in Corporation's financial strength is attested by the continued high financial ratings by international credit rating agencies including A.M. Best and Global Credit Rating (GCR). The ratings are B+ for financial strength and BBB for credit by A.M. Best and AA for domestic claims paying ability BB+ for the international market by GCR.

MARKET AND PRODUCT DEVELOPMENT

Our exemplary results have been achieved due to our consistency in service delivery and partnership with the Kenyan insurance industry which remains our largest single market for the short term as well as long term business. There was also tremendous growth in the international business of the Corporation. Apart from our aggressive marketing in key markets, we have focused our business on efficient claims management, product innovation and offering new covers to our clients. The Corporation is Retakaful compliant. We expect to reap maximum rewards in future as the muslim population is growing and the product is becoming attractive to non-muslims. Kenya Re has remained keen on developing technical capacity in insurance and reinsurance. This commitment has seen Kenya Re conduct technical training on various insurance subjects such as sabotage, terrorism, energy, casualty and property insurance both in Kenya and other countries in Africa. As part of our expansion strategy, plans are at advance stage to set up a subsidiary in Zambia to enhance service delivery in the southern African markets. The Lusaka office will be a regional hub for service delivery to countries like Zimbabwe, Zambia, Botswana, Lesotho, Namibia, Mozambique and Swaziland. This will be in addition to the Corporation's subsidiary in Abidjan, Ivory Coast, which serves the West African and Francophone markets. We are working to create capacity and expertise into Oil and Gas (energy) Reinsurance following discovery of oil in Kenya. We have in place a marine and energy retrocession protection for inward treaty and facultative acceptances. We conducted a technical training in energy insurance and reinsurance.

MANAGING DIRECTOR'S STATEMENT (CONTINUED)

INVESTMENTS

We are in the final stages of preparatory work on putting up of an ultra-modern high rise green commercial building in Upper Hill to cater for the growing demand for office space within Nairobi.

Kenya Re carefully selected its investments in 2014. For instance we bought 10 shares worth Sh87.5 million in African Trade Insurance Agency (ATI) and a 7 per cent stake in Uganda Re. ATI's capability and track record of providing excellent services in insurance, co-insurance and reinsurance is well known. We believe the investment will strengthen the Corporation's capacity to reach the untapped and potential markets in Africa. Similar objectives will be achieved by the investment by the Corporation in Uganda Re. We continue to actively manage our investment portfolio whose value is Kshs 25 billion. This is made up of Kshs 7.7 billion in government securities, Kshs 7.1 billion in investment properties, Kshs 6.5 deposits with financial institutions, Kshs 3.2 billion in quoted equities, Kshs 167 million in unquoted equities and mortgage loans amounting to Kshs 714 million.

INVESTMENT IN TECHNOLOGY

We realize that technology plays a major role in enhancing operations and effective service delivery to stakeholders. We have implemented an integrated Enterprise Resource Planning (ERP). The key objective of this implementation was to give Kenya Re a robust platform that would enhance service delivery as well as augment risk management. The Corporation aspires to maintain leadership in application of technology to drive its business. During the year, we revamped our website to make it more interactive and reader-friendly. Our social media sites are very active.

BRAND EQUITY

The Corporation's brand equity index has been on continuous rise since the year 2012 when it was 48%. This grew to 62% in 2013. By April 2014 it had reached 70% and further rose to 75% in December 2014. This has been the result of increased visibility of the Corporation. Among other things, this has been the effect of rebranding activities, enhanced publicity, our Niko Fiti corporate social responsibility initiatives, market presence and strong financial performance. The Kenya Re brand is now seen as bold and outgoing where it was previously seen as a sleeping giant.

HUMAN CAPITAL

Our accomplishments would not have been possible without the dedication and expertise of our employees, to whom I wish to extend my thanks. One of our seven strategic initiatives is enhancing people effectiveness. This we did by equipping our employees with the necessary skills through training to enhance their effectiveness, ensuring cultural alignment across all levels of staff, and reviewing the effectiveness and adequacy of staffing as well as competences within key business functions. We are continuously recruiting skilled staff to bring in fresh new perspectives in realization of our corporate objectives. This will augment the experience and corporate knowledge of the existing staff compliment of the Corporation.

CORPORATE SOCIAL RESPONSIBILITY

One of our six core values is 'Good Corporate Citizenship'. Under this core value we make the promise that we will remain conscious of the lives and livelihoods of the people in the communities we operate in, and will participate in projects that provide both emotional and financial support in demonstration of our commitment to social responsibility. We have an elaborate corporate social responsibility policy integral to our daily operations. We dedicate a percentage of the Corporation's annual net profits to CSR activities.

Our Corporate Social Responsibility initiative is known as Niko Fiti- Ability Beyond Disability. Through the Niko Fiti we have managed to

reach and revive hope and productivity in the lives of over 2,000 persons with physical disability across the country through the provision of assistive and mobility devices. To date the campaign has transverse the whole country through 5 caravans in the three years.

Niko Fiti gained recognition in 2013 and was awarded CSR campaign of the Year by the Public Relations Society of Kenya awards. In 2014, it was awarded the Corporate Leadership Award during the Annual Disability Advocacy & Rights Award (ADARA) ceremony. In 2015, the CSR initiative was recognized as the Campaign of the Year 2014 during the Malaika Tribute Awards. These are testaments that the program is making an impact and touching the lives of many. We will continue to build this program so that we can continue to impact the lives of many other people. This year, the NIKO FITI campaign is taking a different direction. To move it to the next level, we will be focusing on economically empowering persons with disabilities through the establishment of business parks. Initially these will be in Nairobi. The objective is to extend the initiative to other parts of the country.

This business model will see Kenya Re finance vending units that will be used by persons with disabilities where they will sell their merchandise. This will enable them to not only earn a living but also participate in social and economic activities in Kenya.

THE FUTURE

The reinsurance business environment is extremely dynamic, unpredictable and characterized by cut-throat competition. Only entities fortified by appropriate strategies will survive or thrive. To sustain our continued expansion and relevance to this effect we reviewed our corporate strategic pillars to include "customer centricity," as the sixth pillar. This is in addition to the other five which are financial performance, business development, risk management, business process improvement and people performance. These pillars are underpinned by six key strategic objectives. These strategic objectives will ensure that we continue to engage in improving our customer service, continue to provide new and innovative products, enhance our processes and operations and build relationships with our stakeholders. They will ensure business expansion in our chosen markets in Africa, in Middle East and Asia and enable financial success of the Corporation. We will also seek to maintain our ISO Certification (ISO 9001:2008), this will continue to drive efficiencies and act as a framework around which we will execute international best practices.

CONCLUSION

In conclusion, I take this opportunity to sincerely express my appreciation to the Board of directors for its wise council and guidance. I thank the management of Kenya Re for their tireless efforts towards achieving our corporate objectives. I greatly appreciate the continued support of our stakeholders. I thank our shareholders for the trust and faith they have demonstrated by acquiring and retaining their stake in the Corporation.

We believe the strategies outlined above are underpinned by our tagline "Wisdom Beyond Borders". It is our firm belief that these strategies will drive the Corporations to the next level.

THANK YOU



Jadhiah M. Mwarania
Managing Director

TAARIFA YA MKURUGENZI MKUU



MATOKEO

Nina furaha kuwasilisha kwenu ripoti ya matokeo ya Shirika hili katika mwaka wa kifedha wa 2014.

Utendaji na utekelezaji makinifu wa mikakati yetu ya kishirika ya miaka 5 pamoja na mazingira thabiti ya uchumi wa kiwango kidogo umeendelea kuinua ukuaji wetu na kutuwezeshwa kuongeza thamani kwa wenyehisa wetu. Kama shirika la kibiashara, tumeunda na tunaendelea kutekeleza mikakati yetu kikamilifu. Mikakati ambayo itatuwezeshwa kufikia kiwango cha kampuni kuu ya bima inayofanya vyema zaidi na kuendelea kudumisha thamani ya juu kwa wenyehisa wetu. Shirika hili limeendelea kupata matokeo yaliyoimarika katika nyanja zake zote za utendakazi. Ili kuwa katika viwango bora zaidi kwenye shughuli zake, Shirika hili linazingatia ushindani na mazingira yasiyobashirika ya kibiashara pamoja na hali ya kimataifa ya biashara ya kuu bima.

MATOKEO YA KIFEDHA

Katika mwaka huo wa 2014, uchukuaji wa jumla wa bima ulikua kwa 20% kutoka Ksh 9.6 bilioni katika mwaka 2013 hadi kufikia Ksh11.6 bilioni. Pesa za bima baada ya kutoa gharama zilikuwa kutoka Ksh8.6 bilioni hadi Ksh10.3 bilioni, likiwa ongezeko la 20%. Ukuaji huu katika jumla ya bima iliyochukuliwa ulitokana na utekelezaji wa mkakati maalum unaoendelezwa na mchango mkubwa kutoka kwa kampuni ndogo za bima kwenye masoko teule ya Shirika hili.

Madai ya fidia baada ya kutoa gharama yalikuwa kwa 26% kutoka Ksh4.7 bilioni mwaka 2013 hadi Ksh5.9 bilioni mwaka 2014. Ukuaji katika fidia hiyo ulitokana hasa na kuwepo kwa majanga mengi kuliko madai ya kila mara.

Mapato ya uwekezaji wetu yaliongezeka kwa 14% hadi Ksh2.5 bilioni mwaka 2014 kutoka Ksh2.2 bilioni mwaka uliotangulia. Matokeo haya yalitokana hasa na ongezeko la 24% katika mapato yake yaliyotokana na mapato ya vifaa visivyobadilika na 15% ya ukuaji katika mapato yanayotokana na kodi. Kitengo chetu cha uwekezaji kiliongezeka kwa 14% hadi Ksh25 bilioni.

MATOKEO YA JUMLA

Faida kabla ya ushuru ilikua kwa 20% kutoka Ksh3.2 bilioni katika mwaka 2014 hadi Ksh3.9 bilioni. Hii ilitokana hasa na ukuaji wa 20% katika uchukuaji wa bima ya jumla, 14% ya ukuaji katika mapato ya uwekezaji na ukuaji kiasi katika uendeshaji shughuli na gharama wa 8%. Faida baada ya ushuru iliongezeka kwa 12% kutoka Ksh2.7 bilioni mwaka 2013 hadi Ksh3.1 bilioni mwaka 2014.

HALI YA KIFEDHA

Msingi kamili wa rasilmali za Shirika hili uliongezeka kwa 16% kutoka Ksh27.6 bilioni katika mwaka 2013 hadi Ksh32.1 bilioni mwaka 2014. Fedha za hazina ya wenyehisa ziliimarika kwa 18% kutoka Ksh16.9 bilioni katika mwaka 2013 hadi Ksh19.9 bilioni mwaka 2014.

Ongezeko hili katika uwezo wa kifedha wa Shirika linadhihirika wazi kutokana na viwango vikuu vya kifedha vilivyowekwa na shirika la kimataifa la viwango vya kifedha, AM Best and Global Credit Rating (GCR). Viwango hivyo ni B+ kwa uwezo wa kifedha na BBB kwa malipo ya bima na shirika la A.M Best, na AA kwa uwezo wa kulipa bima na BB+ kwa ajili ya masoko ya kimataifa na GCR.

USTAWISHAJI WA MASOKO NA BIDHAA

Matokeo yetu ya kipekee yalipatikana kutokana na uthabiti wetu katika utoaji huduma na ushirikiano na sekta nzima ya biashara ya bima nchini Kenya, biashara ambayo inabakia kuwa soko letu kuu katika kipindi kifupi sawa na biashara ya muda mrefu. Pia palikuwepo na ukuaji mkubwa katika biashara ya kimataifa ya Shirika hili. Licha ya jitihada yetu ya kutafuta masoko katika maeneo muhimu kwetu, tumeegemeza biashara yetu kwenye usimamizi bora wa kukusanya malipo ya bima, ubunaji wa bidhaa na utoaji bima mpya kwa wateja wetu.

Shirika hili pia linazingatia bima ya Retakafu. Tunatarajia kuvuna zaidi katika siku zijazo kutokana na ongezeko la idadi ya Waislamu pamoja na kwamba bima hiyo inazidi kuvutia hata wasiokuwa Waislamu. Kenya Re inabakia kuwa makinifu kwa kukuza uwezo wa kiufundi katika bima ya kawaida na bima kuu. Juhudi hizi zimeifanya Kenya Re

TAARIFA YA MKURUGENZI MKUU (CONTINUED)

kuendesha mafunzo ya kiufundi kuhusu mada mbalimbali za bima kama vile hujuma, ugaidi, kawi, mikasa na bima ya mali kote nchini Kenya na nchi nyinginezo barani Afrika.

Kama mojawapo ya mikakati yetu ya upanuzi, mipango inakaribia kukamilika ya kufungua afisi nchini Zambia ili kuwezesha utoaji wa huduma katika masoko ya Afrika ya Kusini. Afisi hiyo ya huko jijini Lusaka itakuwa ndiyo makao makuu ya utoaji huduma kwa mataifa kama vile Zimbabwe, Zambia, Botswana, Lesotho, Namibia, Msumbiji na Swaziland. Hili litakuwa ni tawi la ziada litakalotilia nguvu tawi jengine la Shirika lililoko kwenye mji wa Abidjan nchini Ivory Coast, ambalo linahudumia masoko ya Afrika ya Magharibi na mataifa yanayozungumza Kifaransa.

Tunaendelea kuunda mpango wa kuwezesha maarifa na utaalamu katika bima kuu ya Mafuta na Gesi (kawi) kufuatia kugunduliwa kwa mafuta nchini Kenya. Tayari tuna bima ya masula ya bahari na kawi kwa mikataba ya kindani na idara zinazotaka mwafaka. Tuliendesha mafunzo ya kiufundi katika bima ya kawaida na bima kuu ya kawi.

UWEKEZAJI

Tuko katika hatua za mwisho za maandalizi ya kujenga jumba kuu la kisasa la kibiashara katika eneo la Upper Hill ili kukidhi haja kuu ya afisi zenye nafasi za kuwapa wateja wetu huduma bora hapa mjini Nairobi.

Kenya Re iliteua kwa makini nafasi zake za uwekezaji katika mwaka wa 2014. Kwa mfano tulinunua hisa 10 zenye thamani ya Sh87.5 milioni katika Shirika la African Trade Insurance Agency (ATI) pamoja na 7% ya hisa za Uganda Re. Uwezo na sifa za ATI za kutoa huduma bora za bima, bima ya pamoja na bima kuu zinajulikana vyema. Tunaamini uwekezaji huo utaimarisha uwezo wa Shirika hili wa kufikia masoko ambayo hayajagunduliwa na yenye uwezo mkuu barani Afrika. Malengo sawa na hayo yatafikiwa kwa uwekezaji wa Shirika hili katika Uganda Re.

Tunaendelea kusimamia vyema kitengo chetu cha uwekezaji ambacho thamani yake imefika Ksh25 bilioni. Hii inajumuisha Ksh7.7 bilioni katika hati za dhamana za serikali, Ksh7.1 bilioni za uwekezaji katika miradi ya ustawi, Ksh6.5 bilioni kama akiba katika taasisi mbalimbali za kifedha, Ksh3.2 bilioni katika hisa zilizokuliwa, Ksh167 milioni katika hisa ambazo hazijanukuliwa na mikopo ya nyumba na ardhi inayofikia Ksh714 milioni.

UWEKEZAJI KATIKA TEKNOLOJIA

Tunafahamu kwamba teknolojia hutekeleza wajibu mkubwa katika kuinua uendeshaji na utoaji bora wa huduma kwa wadau. Tumetekeleza mpango wa pamoja wa Upangaji Rasimali za Kibiashara (ERP). Lengo kuu la utekelezaji huu lilikuwa ni kuipa Kenya Re msingi thabiti utakaowezesha utoaji huduma wa hali ya juu na hali kadhalika na kuchangia katika mbinu za kukabili hatari. Shirika hili lina ari ya kudumisha uongozi katika matumizi ya teknolojia ili kusukuma mbele biashara yake.

Katika mwaka huo, tuliifanyia mabadiliko wavuti wetu ili kuipa mvuto zaidi na kumrahisishia mteja anapoitumia. Mitandao yetu ya kijamii inafanya kazi vizuri kila wakati.

THAMANI YA HISA

Thamani ya hisa za Shirika letu imekuwa ikipanda kila mwaka kuanzia 2012 ambapo ilifikia 48%. Hii ilikua hadi 62% mwaka 2013. Kufikia Aprili 2014 ilikuwa imefika 70% na kisha kusonga hadi 75% mnamo Desemba 2014. Haya ndiyo yamekuwa matokeo ya umaarufu wa Shirika hili. Mafanikio haya yamechangiwa hasa na shughuli za uboreshaji wa muonekano wa Shirika. Ikiwemo kulipatia shirika hili sura mpya,

kuimarisha matangazo yetu kwa umma, mpango wetu wa Jukumu la Shirika kwa Jamii wa Niko Fiti, uwepo kwenye soko na matokeo mazuri ya kifedha.

Taswira ya Kenya Re sasa ni madhubuti na inayowafikia wateja popote walipo kinyume na hapo awali ambapo ilionekana kama jitu lililosinzi.

RASILMALI ZA WAFANYAKAZI

Mafanikio yetu hayangewezekana bila wafanyakazi wa kujitolea na wenye utaalamu, ambao ningependa kuwashukuru sana. Mojawapo ya mikakati yetu saba maalum ni kuwezesha utendakazi bora wa watu. Hili tulilitekeleza kwa kuwapa wafanyakazi wetu maarifa yanayohitajika kupitia kwa mafunzo ya kuimarisha utendakazi, kuwezesha mwingiliano na utamaduni katika viwango vyote vya wafanyakazi, na kuchanganua ubora wetu kiutendakazi na utoshelevu wa wafanyakazi pamoja na ufaafu katika majukumu makuu ya biashara yetu.

Tunaendelea kuajiri wafanyakazi wenye maarifa ili kuleta mitazamo mipya itakayotuwzesha kufikia malengo yetu kama shirika. Hawa watachangia pakubwa katika ujuzi na ufahamu wa wafanyakazi walioko kwenye Shirika hili.

JUKUMU LA SHIRIKA KWA JAMII (CSR)

Mojawapo ya misingi sita (6) ya thamani kuu ni 'Uraia Mwema wa Shirika'. Katika thamani hii kuu kwa kawaida huwa tunaahidi kuwa tutaendelea kuyajali maisha na maslahi ya watu katika jamii ambazo tunahudumu kwazo, na tutaendelea kushiriki miradi ambayo inatupa mchango wa kihisia na kifedha kama njia ya kudhihirisha kujitolea kwetu katika suala la jukumu la shirika kwa jamii. Tuna sera pana ya jukumu la shirika kwa jamii inayoingiliana na shughuli zetu za kila siku. Kwa kawaida, huwa tunatenga asilimia fulani ya faida ya kila mwaka baada ya kutoa gharama ya shirika kwa ajili ya shughuli hiyo ya CSR.

Mpango wetu wa Jukumu la Shirika kwa Jamii unaitwa Niko Fiti-Ability Beyond Disability (Uwezo Unaozidi Ulemavu). Kupitia kwa Niko Fiti tumefanikiwa kufikia na kufufua matumaini na uwezo wa zaidi ya walemavu 2000 kote nchini kwa kuwapa vifaa vya kuwasaidia kutembea. Kufikia leo, mpango huo umesambaa kote nchini kupitia kwa misafara 5 ya kuwatembelea katika kipindi cha miaka mitatu.

Niko Fiti ilipata umaarufu mkubwa mnamo mwaka 2013 ilipotuzwa kama Kampeni bora ya mwaka ya CSR kwenye tuzo za shirika la Public Relations Society of Kenya. Mwaka 2014, ilituzwa Tuzo ya Usimamizi Bora wa Shirika (Corporate Leadership Award) katika hafla ya Tuzo za Kila Mwaka za Utetezi wa Haki na Ulemavu (Maadhimisho ya (ADARA)). Mwaka 2015, mpango huo wa CSR ulitambuliwa kama Kampeni Bora ya Mwaka 2014 katika Tuzo za Utambuzi za Malaika (Malaika Tribute Awards). Huu ni ushahidi tosha kuwa mpango huo unaendelea kuathiri kwa uzuri na kugusa maisha ya wengi. Tutaendelea kuimarisha mpango huu ili tuendelee kunufaisha watu wengi zaidi.

Katika mwaka huu, kampeni ya NIKO FITI inachukua mwelekeo tofauti. Ili kuipigisha hatua zaidi, tutazingatia uwezeshaji wa walemavu kiuchumi kupitia kwa kuanzisha huduma za kibiashara. Mpango huu utaanzia Nairobi. Lakini lengo kuu ni kuupanua hadi maeneo mengine ya nchi.

Muundo huu wa kibiashara utaipatia fursa Kenya Re kufadhili vituo vya uchuuzi ambavyo vitatumwiwa na walemavu kuuza bidhaa zao. Hii itawezesha kujipa riziki pamoja na kushiriki katika shughuli za kijamii na kiuchumi nchini.

TAARIFA YA MKURUGENZI MKUU

MUSTAKABALI

Mazingira ya bima kuu yanabadilika sana, hayabashiriki na yana ushindani mkali. Ni mashirika yenye mikakati thabiti pekee yatakayofaulu katika biashara hii. Ili kudumisha upanuzi wetu na kubakia maarufu katika soko, tulifanyia mabadiliko mikakati yetu muhimu ili kujumuisha 'kuwapatia wateja kipau-mbele' kama nguzo ya sita. Hii ni kuongezea kwa nguzo nyingine tano ambazo ni; matokeo mazuri ya kifedha, ustawishaji wa biashara, ukabilianaji na hatari, uimarishaji wa harakati za kibiashara na utendakazi bora wa wafanyakazi. Nguzo hizi zinatokana na haja ya kufikia malengo hayo sita muhimu.

Malengo haya yatahakikisha kwamba tunaendelea kujishughulisha na uboreshaji wa huduma zetu kwa wateja, kuendelea kutoa bidhaa bunifu, kuendeleza harakati zetu na utendakazi na kujenga uhusiano mzuri na wadau wetu. Malengo haya yatahakikisha kuwa kuna upanuzi wa masoko yetu teule barani Afrika, Mashariki ya Kati na Asia pamoja na kuwezesha ufanisi wa Shirika hili.

Pia tutajaribu kudumisha viwango vyetu vya ISO (ISO 9001:2008) na hili litatusaidia kuendeleza ufaafu na kutoa muongozo utakaosaidia kuimarisha mifumo bora ya kibiashara.

HITIMISHO

Kwa kutamatisha, ninachukua fursa hii kuishukuru sana Bodi ya wakurugenzi wakuu kutokana na ushauri na maongozi yake ya busara. Ninashukuru usimamizi wa Kenya Re kwa juhudi zao za mchwa zisizokuwa na kikomo katika kufikia malengo ya shirika. Hata hivyo, ninatambua kwa mapana mchango wa wadau. Hali kadhalika, ninawashukuru wenyehisa kwa kutuamini na kuzidi kuimarisha uwekezaji wao katika Shirika hili.

Tunaamini kwamba mikakati iliyoorodheshwa hapo juu inaendana sambamba na mwito wetu wa 'Wisdom Beyond Borders' yaani 'Busara Inayopita Mipaka'. Ni matumaini yetu makuu kwamba mikakati hii italipandisha Shirika hili hadi katika viwango vya juu zaidi.

ASANTENI SANA



Jadhiah M. Mwarania
Mkurugenzi Mkuu

STATEMENT ON CORPORATE GOVERNANCE

Corporate governance is the process and structure by which companies are directed, controlled and held accountable in order to achieve long term value to shareholders taking cognisance of the interest of other stakeholders.

The Board of Directors of Kenya Reinsurance Corporation Limited is responsible for the governance of the Corporation and is accountable to the shareholders and stakeholders in ensuring that the Corporation complies with the laws and the highest standards of business ethics and corporate governance. Accordingly the Board attaches very high importance to the generally accepted corporate governance practices and has embraced the internationally developed principles and code of best practice of good corporate governance.

Board of Directors

The roles and functions of the Chairman and the Managing Director are distinct and their respective responsibilities clearly defined within the Corporation. The Board comprises of eleven (11) directors ten (10) of whom are non-executive directors including the Chairman. The Board defines the Corporation's strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues. The directors bring a wealth of experience and knowledge to the Board's deliberations. Except for direction and guidance on general policy, the Board delegates authority of its day-to-day business to the Management through the Managing Director. The Board nonetheless is responsible for the stewardship of the Corporation and assumes responsibilities for the effective control over the Corporation. The Corporation Secretary attends all meetings of the Board and advises the Board on all corporate governance matters as well as prevailing statutory requirements.

Board Meetings

The Board holds meetings on a regular basis while special meetings are called when it is deemed necessary to do so. The Board held four (4) regular and four (4) special meetings during the year under review. As the Corporation is a State Corporation, the Inspector General of State Corporations from time to time attends meetings of the Board and Board Committees for oversight and advisory purposes in accordance with the State Corporations Act.

Committees of the Board

The Board has set up the following principal Committees which meet under well defined terms of reference set by the Board. This is intended to facilitate efficient decision making of the Board in discharging its duties and responsibilities.

a) Audit Committee

The membership of the Audit Committee is comprised as follows:

Everest Lenjo - Chairman
David Kemei
Dr. Lumbi M'Nabea
Priscilla Mwangi

The Committee assists the Board in fulfilling its corporate governance responsibilities and in particular to:

- Review financial statements before submission to the Board focusing on changes in accounting policies, compliance with International Financial Reporting Standards and legal requirements.
- Strengthen the effectiveness of the internal audit function.
- Maintain oversight on internal control systems.
- Increase the shareholders' confidence in the credibility and standing of the Corporation.
- Review and make recommendations regarding the Corporation's budgets, financial plans and risk management.
- Liaise with the external auditors.

The Committee held four (4) regular meetings and one (1) special meeting in the year under review.

b) Risk & Compliance Committee

The membership of the Risk & Compliance Committee is comprised as follows:

Gladys Mboya - Chairman
Felix Okatch
Priscilla Mwangi
Maina Mukoma
Jadiah Mwarania
Cabinet Secretary – National Treasury

STATEMENT ON CORPORATE GOVERNANCE (Continued)

Committees of the Board (Continued)

The responsibilities of this Committee include:

- Provision of general oversight in risk and compliance matters in the Corporation.
- Ensuring quality, integrity, effectiveness and reliability of the Corporation's risk management framework.
- Setting out the nature, role, responsibility and authority of the risk management and the compliance function of the Corporation.
- Defining the scope of risk management work.
- Ensuring that there are adequate risk policies and strategies in place to effectively identify, measure, monitor and appropriately mitigate the various risks which the Corporation is exposed to from time to time.

The committee held four (4) regular meetings in the year under review.

c) Human Resources Committee

The membership of the Human Resources Committee is comprised as follows:

Dr.Lumbi M'Nabea - Chairman
Maina Mukoma
Everest Lenjo
Chiboli Shakaba
Jadiah Mwarania

The Committee reviews and provides recommendations on issues relating to all human resources matters including, career progression, performance management, training needs, job transfers, staff recruitment, staff placements, promotions, demotions, discipline and staff welfare.

The Committee held four (4) regular meetings and six (6) special meetings in the year under review.

d) Finance Investment and Tender Oversight Committee

The membership of the Finance Investment and Tender Oversight Committee is comprised as follows:

Felix Okatch - Chairman
David Kemei
Chiboli Shakaba
Jadiah Mwarania
Cabinet Secretary – National Treasury

The Committee assists the Board in fulfilling its oversight responsibilities relating to the Corporation's finance, information and technology, procurement, investment strategies, policies, projects and related activities.

The Committee held four (4) regular meetings in the year under review.

Risk Management and Internal Controls

The Corporation has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for all transactions and for ensuring compliance with the laws and regulations that have significant financial implications. In reviewing the effectiveness of the internal control system, the Board takes into account the results of work carried out to audit and review the activities of the Corporation. The Board also considers the management accounts for each quarter, reports from each Board Committee, annual budgetary proposals, major issues and strategic opportunities for the Corporation. As an integral strategy in achieving its corporate goals, the Board ensures that an optimal mix between risk and return is maintained. To achieve this goal, a risk management and governance framework has been put in place to assist the Board in understanding business risk issues and key performance indicators affecting the ability of the Corporation to achieve its objectives both in the short and long term.

Creating Shareholders' Value

In order to assure the shareholders of the Corporation's commitment to activities that create and enhance shareholder value, the Board signs a performance contract with the Government as well as sets Corporate Performance strategies with Management and continues to perform an annual evaluation exercise to review and audit its role and success or otherwise to meet the challenges envisaged at the beginning of each year.

Directors' Emoluments and Loans

The aggregate amount of emoluments paid to directors for services rendered during the financial year 2014 are disclosed in the notes to the financial statements under note 42. Non-executive directors are paid sitting allowances for every meeting attended. There were no arrangements for the directors to acquire benefits through the acquisition of the Corporation's shares. Loans and advances to directors as at the end of the year are also disclosed in the financial statements under note 42.



STATEMENT ON CORPORATE GOVERNANCE (Continued)

Directors' interest and distribution of shareholding

Directors' interests in the shares of the Corporation and the distribution of the Corporation's shareholding and analysis of the ten largest shareholders as at 31 December 2014 were as follows:

Directors' interests as at 31 December 2014:	Number of shares	% Shareholding
Cabinet Secretary to the National Treasury of Kenya	420,000,000	60
Jadiah Mwarania	100,000	-
Chiboli Shakaba	78,805	-
Nelius Kariuki	38,510	-
Felix Okatch	18,500	-
Gladys Mboya	18,400	-
	420,254,215	60

Major Shareholders

Cabinet Secretary to the National Treasury of Kenya	420,000,000	60.00
CFC Stanbic Nominees Ltd A/C NR 1030624	11,491,100	1.64
National Social Security Fund	10,737,910	1.53
CFC Stanbic Nominees Ltd A/C NR 1030685	10,421,400	1.49
Cooperative Bank Custody A/C 4003A	9,231,072	1.32
Nic Custodial Services A/C 077	8,303,300	1.19
Standard Chartered (K) Nominees Ltd A/C 9389	7,748,400	1.11
Rakesh Prakash Gadani	7,621,800	1.09
Standard Chartered (K) Nominees Ltd A/C 9897	6,653,000	0.95
CFC Stanbic Nominees Ltd A/C R48701	6,361,231	0.91
	498,569,213	71.23

The distribution of the Corporation's shareholding is as shown below:

Shares Range	Shareholders	Number of Shares	% Shareholding	
1 - 500	76,010	16,753,209	2.39	
501 - 1,000		16,143	11,296,941	1.61
1,001 - 5,000		13,822	26,638,982	3.81
5,001 - 10,000		1,362	9,522,858	1.36
10,001 - 50,000		1,227	24,830,967	3.55
50,001 - 100,000		162	11,494,219	1.64
100,001 - 500,000		148	32,224,253	4.60
500,001 - 1,000,000		25	18,649,864	2.66
1,000,001 & above		27	548,537,775	78.37
	108,926	699,949,068	100.00	

The distribution of the shareholders based on their nationalities is as follows:

Nationality	Shareholders	Shares held	% Shareholding
Local Individual Investors	101,741	109,754,301	15.68
Local Institutional Investors	6,627	534,381,495	76.35
Foreign Investors	558	55,813,272	7.97
	108,926	699,949,068	100.00

Chairman
2015

Director

MANAGEMENT TEAM PROFILES



JADIAH MWARANIA, MANAGING DIRECTOR

Mr. Mwarania is the Managing Director of the Corporation. He was previously the General Manager (Reinsurance Operations) and Acting Managing Director. He holds a Bachelor of Commerce (B.com.) (Hons.) and Master of Business Administration (MBA) degrees from The University of Nairobi. He is currently doing a PHD in strategic management at The University of Nairobi. He is a Fellow of the Chartered Insurance Institute of London (FCII), and a Fellow of the Insurance Institute of Kenya (IIK). Mr. Mwarania is a Chartered Insurer (CI) of the Insurance Institute of London, the highest and the most prestigious level of professional achievement with the Institute, and a Fellow of the Kenya Institute of Management (FMKIM).

He is a member of the Board of Directors of Industrial Development Bank (IDB), an Alternate Director on the Board of Directors of Zep Re (PTA Reinsurance Company) and the Chairman Executive Committee (EXCO) of the Association of Kenya Reinsurers (AKR). He is a Board Member of the Insurance Training and Education Trust (ITET) Board and member of the Finance and Development Board Committee of the College of Insurance of Kenya. Mr. Mwarania is a holder of the Order of Grand Warrior Award (OGW)



BETH S. NYAGA - GENERAL MANAGER (REINSURANCE OPERATIONS)

Beth S.Nyaga is the General Manager, Reinsurance Operations. She Joined the Corporation several years ago as a Management trainee. She rose through the ranks to the current position of General Manager a position she has held since 2010. She has a wide range of experience in insurance and reinsurance both life and non-life, claims management, business development etc. She has also carried out technical trainings in different areas of reinsurance. She holds a Bachelor of Commerce (B.COM) (HONS.) degree from the University of Nairobi and as well as a Master of Business Administration (MBA) degree from the East and Southern Africa Management Institute. She is Fellow and an Associate of the chartered Insurance Institute of London (FCII & ACII) and the Insurance Institute of Kenya (IIK). She is also a chartered Insurer.



MICHAEL J. MBESHI - GENERAL MANAGER (PROPERTY & ADMINISTRATION)

Mr. Mbeshi joined Kenya Reinsurance Corporation Limited on 19th October 1994 as a Premises Officer and was deployed to Property Department. He has risen through the ranks to his current position of General Manager, Property & Administration. Mr. Mbeshi holds a Bachelor of Arts (Land Economics) from the University of Nairobi. He is a full member of the Institute of Surveyors of Kenya and the Kenya Institute Management. He is a holder of MBA from ESAMI (East and Southern Africa Management Institute). Prior to joining Kenya Re Mr. Mbeshi had worked as an Urban Valuer with the Ministry of Lands. He is a member of the Board of Trustees of KENYA Re Pension Fund and DC Scheme. He has over 25 years working experience.



JACQUELINE NJUI - GENERAL MANAGER - FINANCE & INVESTMENTS

Mrs. Jacqueline Njui is the General Manager, Finance & Investments. She joined the Corporation on 3rd October 1994 as an Accountant and rose through the ranks to the current position. She is the Pension Fund Secretary of the Kenya Re Pension Scheme. She has a total of twenty five (25) years of working experience twenty (20) of those at Kenya Re. Prior to joining the Corporation Mrs. Njui worked for the University of Nairobi.

Jacqueline graduated from the University of Nairobi with a Bachelor of Commerce degree (Accounting option) Hons in the year 1988. She is a Certified Public Accountant Kenya CPA (K) and a registered member of the Institute of Certified Public Accountants (ICPAK). Mrs. Njui is a Certified Securities Investments Analyst part 2 finalist (CSIA 2). She holds Master of Business Administration (MBA) degree from Moi University.



CHARLES KARIUKI - CORPORATION SECRETARY

Mr. Charles Kariuki joined the Corporation on July 10, 2013 as the Manager-Legal. He held a similar position at the National AIDS Control Council and is an Advocate of the High Court of Kenya of over 10 years standing. He holds a Bachelor of Laws (LL.B) Degree from Moi University, a Diploma in law from the Kenya School of Law and is a registered Certified Public Secretary.

ACTUARY'S CERTIFICATE

Kenya Reinsurance Corporation Limited

Actuarial Valuation as at 31 December 2014

Actuary's Solvency Certificate

I, James Israel Omanyala Clubayi of Alexander Forbes Financial Services (EA) Ltd, Landmark Plaza, 10th Floor, Landmark Plaza Argwings Kodhek, P.O. Box 52439 Nairobi, being an Actuary duly qualified in terms of Section 2 of the Insurance Act having conducted an investigation in terms of Sections 57 and 58 of that Act as at 31 December 2014 do hereby certify as under:-

- a) that in my opinion the value placed upon the aggregate liabilities relating to the Statutory Funds of **Kenya Reinsurance Corporation Limited** in respect of policies on the basis of valuation adopted by me is not less than what it would have been if the aggregate value had been calculated on the minimum basis prescribed;
- b) that necessary steps as required under Section 58 (5) (a) were taken; and
- c) that I am satisfied that the valuation of assets adopted by me are, on the basis of the Auditor's certificates appended to the balance sheet, fully of the value so adopted.



James I. O. Olubayi

Fellow of the Institute of Actuaries

Nairobi

March 2015

ANCIAL SERVICES (EAST AFRICA) LIMITED



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Directors: Michael Waweru | Luendran Pillay** | Lisa Stott** | Sundeep Raichura* | Wycliffe Wangamati | James Olubayi | South Africa** | British*

REPORT OF AUDITOR GENERAL

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P.O. Box 30084-00100
NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON KENYA REINSURANCE CORPORATION LIMITED FOR THE YEAR ENDED 31 DECEMBER 2014

REPORT ON THE FINANCIAL STATEMENTS

The accompanying financial statements of Kenya Reinsurance Corporation Limited set out on pages 35 to 73, which comprise the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, 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 have been audited on my behalf by Deloitte & Touche, auditors appointed under Section 39 of the Public Audit Act, 2003. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) and (3) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's

REPORT OF AUDITOR GENERAL

judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

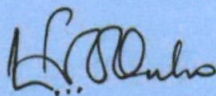
Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 December 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, Cap 486 of the Laws of Kenya.

REPORT ON LEGAL AND OTHER REGULATORY REQUIREMENTS

As required by the Kenyan Companies Act, I report based on the audit, that:

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- (ii) In my opinion, proper books of account have been kept by the Corporation, so far as appears from the examination of those books; and
- (iii) The Corporation's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

27 March 2015

AFISI YA UKAGUZI WA KITAIFA NCHINI KENYA

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NAIROBI

RIPOTI YA MKAGUZI MKUU KUHUSU SHIRIKA LA KENYA REINSURANCE CORPORATION LIMITED KATIKA MWAKA ULIOMALIZIKIA TAREHE 31 DESEMBA 2014

RIPOTI KUHUSU TAARIFA ZA KIFEDHA

Taarifa andamizi za kifedha za shirika la Kenya Reinsurance Corporation Limited zilizoambatishwa katika kurasa za 35 hadi 73, ambazo zinahusisha taarifa ya hali ya fedha kufikia tarehe 31 Desemba 2014, ikiwemo taarifa ya faida na hasara pamoja na mapato mengine mseto, taarifa za mabadiliko katika hisa zisizokuwa na riba na taarifa za mtiririko wa pesa katika mwaka ulioisha, pamoja na muhtasari wa sera muhimu za uhasibu na habari nyinginezo fafanuzi zimekaguliwa na Deloitte & Touche ambao ndio wakaguzi walioteuliwa chini ya Sehemu ya 39 ya Sheria ya Ukaguzi wa Umma, 2003, kwa niaba yangu. Wakaguzi hao wamenipa ripoti kamilifu kuhusu matokeo ya ukaguzi wao na kwa msingi wa ripoti yao hiyo, ninaridhia kuwa habari na maelezo yote ambayo, kwa ufahamu wangu wa dhati, yaliyohitajika kwa ajili ya ukaguzi huo, yalifikia malengo.

Jukumu la Usimamizi kwa Taarifa hizo za Kifedha

Usimamizi wa shirika unawajibika katika utayarishaji na uwasilishaji bora wa taarifa hizi za kifedha kulingana na Viwango vya Ubora vya Kimataifa vya Kuripoti masuala ya Kifedha. Na kwa ajili ya vidhibiti vya ndani kama usimamizi unavyoweza kuamua, ni muhimu katika kuwezesha maandalizi ya taarifa za kifedha zilizo wazi na zisizo na mategu ya kitaarifa, iwe kwa sababu ya wizi au kimakosa tu.

Idara ya Usimamizi huu pia inawajibika katika uwasilishaji wa taarifa za kifedha kwa Mkaguzi Mkuu kulingana na kanuni za Sehemu ya 13 ya Sheria ya Ukaguzi wa Umma ya mwaka 2003.

Jukumu la Mkaguzi Mkuu

Jukumu langu ni kuelezea wazo kuhusu taarifa hizi za kifedha kutegemea ukaguzi uliofanywa na kisha kutoa ripoti kulingana na kanuni za Sehemu ya 15(2) na (3) za Sheria ya Ukaguzi wa Umma, 2003 halafu kuwasilisha ripoti ya ukaguzi kulingana na Kifungu cha 229(7) cha Katiba ya Kenya. Ukaguzi huo uliendeshwa kulingana na Viwango vya Ubora vya Kimataifa vya Ukaguzi. Viwango hivyo vinahitaji uzingatiaji wa mahitaji ya kimaadili na kwamba ukaguzi upangwe na kutekelezwa ili kutoa hakikisho la kuridhisha kama iwapo taarifa za kifedha zimehepuka dosari za kimategu kwenye uwasilishaji wake.

Ukaguzi huo unahusisha kutekeleza hatua za kupata ushahidi kuhusu kiasi cha pesa pamoja na ufichuzi katika taarifa za kifedha. Hatua zilizoteuliwa zinategemea maamuzi ya mkaguzi, ikiwemo tathmini ya kutokuwepo kwa mategu ya mawasilisho katika taarifa hizo za kifedha, iwe kutokana na wizi au kimakosa tu. Katika huku kutathmini hatari, mkaguzi anazingatia vidhibiti vya ndani vinavyofaa kwa matayarisho ya shirika na uwasilishaji bora wa taarifa za kifedha ili kusanifu harakati za ukaguzi ambazo zinaingiliana sambamba na hali, lakini si kwa minajili ya kuelezea maoni kuhusu ufaafu wa vidhibiti vya ndani vya Shirika. Ukaguzi huo pia unajumuisha tathmini ya ufaafu wa sera za uhasibu zinazotumika na urazini wa makadirio ya uhasibu yaliyofanywa na usimamizi, sawasawa na kutathmini uwasilishaji wa jumla wa taarifa za kifedha.

Ninaamini kwamba ushahidi wa ukaguzi uliopatikana unatosha na unafaa katika kutoa usuli wa maoni yangu ya ukaguzi.

Maoni

Kwa maoni yangu, taarifa za kifedha zimewasilisha vyema, katika hali zote za kirasilmali, hali ya kifedha ya Shirika hili kufikia tarehe 31 Desemba 2014, pamoja na matokeo yake ya kifedha na mtiririko wa pesa katika mwaka huo ulioisha, kulingana na Viwango vya Ubora vya Kimataifa vya Kuripoti masuala ya Kifedha na kulingana na Sheria ya Kampuni, Ibara ya 486 ya Sheria za Kenya.

RIPOTI YA KISHERIA NA MAHITAJI MENGINE YA KIKANUNI

Kama inavyohitajika na Sheria ya Kampuni nchini Kenya, ninatoa ripoti kwa kuzingatia ukaguzi huu, kwamba:

- i. Nimepokea habari zote na maelezo ambayo, kwa ufahamu wangu na imani ya dhati, yalihatijika kwa ajili ya ukaguzi;
- ii. Kwa maoni yangu, rekodi bora ya mabuku ya uhasibu imehifadhiwa na Shirika hili, kama inavyoonekana kutokana na ukaguzi wa mabuku hayo; na
- iii. Taarifa ya hali ya fedha na taarifa ya faida au hasara pamoja na mapato mengine mseto ya Shirika hili yanaafikiana na mabuku ya uhasibu.

Edward R.O. Ouko, CBS
MKAGUZI MKUU WA KIFEDHA
Nairobi

Tarehe 27 Machi 2015

CORPORATE SOCIAL RESPONSIBILITY

As hundreds of beneficiaries and their handlers thronged the various government hospitals to receive their devices, the mixed reactions on their faces captured it all. The pain and agony of waiting for a helping hand in terms of a device came at the opportune time. And when the Corporation won the 2014 Corporate Leadership Award in the Annual Disability Rights Awards (ADARA) and the CSR campaign of the year 2014 at the Malaika Tribute Awards, we knew the campaign was really touching the lives of many.

In 2014, the Corporation organized a two-phase campaign to not only reach as many beneficiaries as possible but to also focus on high incidence areas as identified by its partner, the Association for the Physically Disabled of Kenya (APDK). The campaign saw two caravans tour various parts of the country where public education on the importance of accepting PWDs was also highlighted.

The first caravan in July 2014 covered Kisii, Kisumu and Busia counties where 485 devices were distributed. The second caravan in October 2014 covered Murang'a, Nyeri, Embu, Meru and Isiolo counties where 677 devices were distributed. This is a major improvement on the 2013 caravans where 700 devices were distributed by three caravans that traversed Mount Kenya, Meru, Embu, Upper Eastern, Nyanza, Western, Rift Valley, Lower Eastern and Coastal regions.

The campaign aims at promoting independence, ease of mobility through provision of assistive devices and de-stigmatization of disability in the society.

OTHER CSR ACTIVITIES

In 2014, Kenya Re staff also participated in other CSR Initiatives championed by other organizations including the Standard Chartered Marathon and Mater Heart Run. In July, the Corporation donated foodstuff to the Uzima wa Watoto home in Eastlands.



Niko Fiti

A young beneficiary shows his excitement after receiving a wheel chair and polio boots in Kerugoya during the second NIKO FITI caravan.



Mater Heart Run

KenyaRe staff resting after participating in the Mater Heart Run.



Peer group

KenyaRe staff mingle with children from the Uzima wa Watoto home in eastlands where they donated food stuff and other items from the corporation.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	General Insurance Business 2014 Shs '000'	Long - Term Insurance Business 2014 Shs '000'	Total 2014 Shs '000'	Total 2013 Restated Shs '000'
INCOME					
Gross Written Premium		10,460,149	1,109,941	11,570,090	9,645,151
Change in unearned premium		(728,192)	-	(728,192)	(620,442)
Outward Reinsurance Premium		(432,955)	(95,535)	(528,490)	(442,879)
Net Earned Premium	6	9,299,002	1,014,406	10,313,408	8,581,830
Investment Income	7	2,136,175	455,760	2,591,935	2,277,749
Acquisition cost recoveries		475	25,501	25,976	26,966
Fair value gains on revaluation of investment properties	15	630,990	53,808	684,798	441,588
Other Income	8	144,921	-	144,921	76,472
Share of profit of associate	18	275,894	-	275,894	257,000
Total Income		12,487,457	1,549,475	14,036,932	11,661,605
OUTGO					
Claims & Policyholder benefits		(5,954,130)	(440,084)	(6,394,214)	(5,246,003)
Less: Reinsurers' share of claims		409,052	27,622	436,674	522,833
Net claims and policyholders benefits	9	(5,545,078)	(412,462)	(5,957,540)	(4,723,170)
Cedant acquisition costs		(2,683,672)	(334,066)	(3,017,738)	(2,493,960)
Operating & other expenses	10	(912,107)	(180,548)	(1,092,655)	(1,014,768)
Provision for doubtful debts		(49,267)	-	(49,267)	(160,904)
Total outgo		(9,190,124)	(927,076)	(10,117,200)	(8,392,802)
Profit before tax		3,297,333	622,399	3,919,732	3,268,803
Income tax expense	12(a)	(569,810)	(212,750)	(782,560)	(476,337)
Profit for the year after Tax		2,727,523	409,649	3,137,172	2,792,466
OTHER COMPREHENSIVE INCOME					
Share of gain on property revaluation of associate	18	493	-	493	10
Defined benefit obligation remeasurement	38	31,188	-	31,188	(6,148)
Fair value gain on available for sale financial assets, net of tax	29	364,123	-	364,123	732,270
Reclassification adjustments relating to available-for-sale financial assets disposed in the year	7	(250,555)	-	(250,555)	(307,681)
Share of movement in associate reserves:					
Currency translation	18	106,720	-	106,720	52,978
Fair value reserve	18	28,594	-	28,594	44,886
Total other comprehensive income		280,563	-	280,563	516,315
Total comprehensive income for the year		3,008,086	409,649	3,417,735	3,308,781
Earnings per Share - basic and diluted	13			4.48	3.99



STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Notes	General Insurance Business 2014 Shs '000'	Long - Term Insurance Business 2014 Shs '000'	Total 2014 Shs '000'	Total 2013 Shs '000' Restated	Total 2012 Shs '000' Restated
SHAREHOLDERS FUNDS						
Share capital	32	1,749,873	-	1,749,873	1,749,873	1,749,873
Revaluation reserve	33	6,965	-	6,965	10,973	15,994
Fair value reserve	33	1,910,902	-	1,910,902	1,768,740	1,299,255
Translation reserve	33	305,003	-	305,003	198,283	145,305
Statutory reserve	33	-	2,576,743	2,576,743	2,167,094	1,681,841
Retained earnings	33	13,441,918	-	13,441,918	11,098,665	9,072,559
TOTAL SHAREHOLDERS FUNDS		17,414,661	2,576,743	19,991,404	16,993,628	13,964,827
ASSETS						
Investment properties	15	5,995,000	1,200,000	7,195,000	6,459,000	5,935,000
Property and equipment	16	92,647	-	92,647	112,874	80,511
Intangible assets	17	93,606	-	93,606	64,584	2,604
Investment in associate	18	2,008,062	-	2,008,062	1,652,940	1,340,048
Deferred acquisition costs	20	1,148,252	-	1,148,252	960,819	761,158
Unquoted equity instruments	21	167,113	-	167,113	59,965	89,971
Inventory	22	28,794	-	28,794	28,794	28,794
Non current assets held for sale	23	28,098	-	28,098	28,098	40,032
Mortgage loans	24	714,956	-	714,956	734,456	521,539
Defined benefit asset	38	80,437	-	80,437	9,044	-
Receivables arising out of reinsurance arrangements	25	2,036,906	186,055	2,222,961	2,002,956	1,518,502
Premium and loss reserves	26	170,786	-	170,786	194,055	290,178
Other receivables	27	103,009	-	103,009	109,603	56,470
Corporate bonds	28	419,134	-	419,134	141,846	153,970
Quoted equity instruments	29	3,256,975	-	3,256,975	2,959,490	2,436,749
Government securities	30	6,153,160	1,559,241	7,712,401	7,693,954	5,459,118
Deposits with financial institutions	31	3,521,390	2,985,854	6,507,244	4,217,002	4,217,389
Cash and bank balances	41	224,684	92	224,776	198,831	241,215
TOTAL ASSETS		26,243,009	5,931,242	32,174,251	27,628,311	23,173,248
LIABILITIES						
Long term reinsurance contract liabilities	34	-	2,097,681	2,097,681	2,094,357	2,073,032
Short term reinsurance contracts liabilities	35	4,518,138	-	4,518,138	3,702,715	3,049,991
Unearned premiums	36	4,010,877	-	4,010,877	3,282,685	2,662,244
Payables arising out of reinsurance arrangements	37	299,191	152,500	451,691	701,912	709,445
Deferred taxation liability	19	(553,799)	1,104,318	550,519	334,478	106,080
Defined benefit liability	38	-	-	-	-	23,729
Other payables	39	405,901	-	405,901	477,404	419,239
Tax payable	12(c)	148,040	-	148,040	41,132	164,661
TOTAL LIABILITIES		8,828,348	3,354,499	12,182,847	10,634,683	9,208,421
NET ASSETS		17,414,661	2,576,743	19,991,404	16,993,628	13,964,827

The financial statements on pages 35 to 73 were approved by the board of directors on 26th March 2015 and were signed on its behalf by:

Principal Officer

Chairman

Director

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

	Notes	Share capital Kshs '000	Revaluation reserve Kshs '000	Fair value reserve Kshs '000	Translation reserve Kshs '000	Statutory reserve Kshs '000	Retained earnings Kshs '000	Total Kshs '000
At 1 January 2013		1,749,873	15,994	1,299,255	145,305	2,402,630	9,072,559	14,685,616
Prior year adjustment (note 44)		-	-	-	-	(720,789)	-	(720,789)
As restated		1,749,873	15,994	1,299,255	145,305	1,681,841	9,072,559	13,964,827
Profit for the year		-	-	-	-	485,253	2,307,213	2,792,466
Other comprehensive income		-	-	469,485	52,978	-	(6,148)	516,315
Total comprehensive income		-	-	469,485	52,978	485,253	2,301,065	3,308,781
Dividends declared – 2012	14	-	-	-	-	-	(279,980)	(279,980)
Transfer of excess depreciation		-	(7,173)	-	-	-	7,173	-
Deferred taxation thereon		-	2,152	-	-	-	(2,152)	-
At 31 December 2013		1,749,873	10,973	1,768,740	198,283	2,167,094	11,098,665	16,993,628
At 1 January 2014								
- As previously stated		1,749,873	10,973	1,768,740	198,283	3,095,848	11,098,665	17,922,382
- Prior year adjustment (note 44)		-	-	-	-	(928,754)	-	(928,754)
As restated		1,749,873	10,973	1,768,740	198,283	2,167,094	11,098,665	16,993,628
Profit for the year		-	-	-	-	409,649	2,727,523	3,137,172
Other comprehensive income		-	493	142,162	106,720	-	31,188	280,563
Total comprehensive income		-	493	142,162	106,720	409,649	2,758,711	3,417,735
Dividends declared – 2013	14	-	-	-	-	-	(419,959)	(419,959)
Transfer of excess depreciation		-	(6,430)	-	-	-	6,430	-
Deferred taxation thereon		-	1,929	-	-	-	(1,929)	-
At 31 December 2014		1,749,873	6,965	1,910,102	305,003	2,576,743	13,441,918	19,991,404

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 Sh '000	2013 Sh '000
Cash generated from operations	40	2,495,378	60,310
Interest received on corporate bond		25,658	18,425
Interest received on government securities		712,803	691,141
Tax paid in the year	12(c)	(459,611)	(371,468)
Net cash generated from operating activities		2,774,228	398,408
Cash flows from investing activities			
Purchase of investment property	15	(51,202)	(82,412)
Purchase of property and equipment	16	(12,912)	(55,382)
Purchase of intangibles	17	(30,547)	(65,387)
Dividend received from associate company	18	56,579	41,982
Net cash used in investing activities		(38,082)	(161,199)
Cash flows from financing activities			
Dividends paid	14	(419,959)	(279,980)
Net increase/(decrease) in cash and cash equivalents		2,316,187	(42,771)
Cash and cash equivalents at 1 January		4,415,833	4,458,604
Cash and cash equivalents at 31 December	41	6,732,020	4,415,833

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1 ACCOUNTING POLICIES

Statement of compliance

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

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

Application of new and revised International Financial Reporting Standards (IFRS)

i) Relevant new standards and amendments to published standards effective for the year ended 31 December 2014

Several new and revised standards and interpretations were effective during the year. The directors have evaluated the impact of the new standards and interpretations and none of them had an impact on the company's financial statements.

ii) Expected impact of issued relevant new and amended standards and interpretations but not yet effective as at 31 December 2014

Only IFRS 9 on financial instruments issued in November 2009 will be relevant to the company. The standard introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition. The directors of the company anticipate that the application of IFRS 9 in the future may have an impact on amounts reported in respect of the company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed by the company.

iii) Early adoption of standards

The company did not early-adopt any new or amended standards in 2014.

Basis of preparation

The financial statements are prepared under the historical cost convention as modified to include the revaluation of certain assets.

Reinsurance contracts

(i) Classification

Reinsurance contracts are those contracts that transfer significant reinsurance risk. Such contracts may also transfer financial risk. As a general guideline, the Corporation defines significant reinsurance risk, as the possibility of having to pay benefits on the occurrence of a reinsured event that is at least 10% more than the benefits payable if the reinsured event did not occur.

Reinsurance contracts are classified into two main categories, depending on the duration of risk and as per the provisions of the Kenyan Insurance Act.

a) Short-term reinsurance business

Short term reinsurance business refers to reinsurance business of any class or classes that is not long term reinsurance business.

Classes of short term reinsurance include aviation, engineering, fire (domestic risks, industrial and commercial risks), liability, marine, motor (private vehicles and commercial vehicles), personal accident, theft, workmen's compensation, employer's liability and miscellaneous (i.e. any class of business not included under those listed above). The Corporation's main classes are described below:

- Motor reinsurance business means the business of effecting and carrying out contracts of reinsurance against loss of, or damage to, or arising out of or in connection with the use of, motor vehicles, inclusive of third party risks but exclusive of transit risks.
- Fire reinsurance business refers to the business of effecting and carrying out contracts of reinsurance, other than incidental to some other class of reinsurance business against loss or damage to property due to fire, explosion, storm and other occurrences customarily included among the risks insured against in the fire insurance business.
- Miscellaneous reinsurance business refers to the business of effecting and carrying out contracts of reinsurance which are not principally or wholly of any types included in other classes of business but include reinsurance of bonds of all types, reinsurance of livestock and crop reinsurance.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1 ACCOUNTING POLICIES

Reinsurance contracts (Continued)

(i) Classification (Continued)

b) Long-term reinsurance business

Includes reinsurance business of all or any of the following classes: ordinary life and Corporation life and business incidental to any such class of business.

Ordinary life reinsurance business refers to the business of, or in relation to, the issuing of, or the undertaking of liability to pay money on death (not being death by accident or in specified sickness only) or on the happening of any contingency dependent on the termination or continuance of human life (either with or without provision for a benefit under a continuous disability reinsurance contract), and includes contracts which are subject to the payment of premiums for term dependent on the termination or continuance of human life.

Corporation life reinsurance business refers to the business of, or in relation to, the issuing of or the undertaking of liability under Corporation life and permanent health reinsurance policies.

(ii) Recognition and measurement

The results of the reinsurance business are determined on an annual basis as follows:

a. Premium income

Premiums and related expenses are accounted for in profit or loss when earned or incurred. Gross earned premiums comprise gross premiums relating to risks assumed in the year after accounting for any movement in gross unearned premiums. Unearned premiums represent the proportion of the premiums written in the year that are attributable to the subsequent accounting period and are estimated at 40% of net premiums.

b. Claims incurred

Claims incurred comprise claims paid in the period and changes in the provision for outstanding claims. Claims paid represent all payments made during the period, whether arising from events during that or earlier years. Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the reporting date, but not settled at that date. Outstanding claims are computed on the basis of the best information available at the time the records for the period are closed and include provisions for claims incurred but not reported ("IBNR").

c. Cedant acquisition costs and deferred acquisition costs

A proportion of cedant acquisition costs is deferred and amortised over the period in which the related premium is earned. Deferred acquisition costs represent the proportion of cedant acquisition costs and other acquisition costs that relate to the unexpired term of the policies that are in force at the year end.

d. 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 by establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

Long-term reinsurance contracts are measured based on assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1 ACCOUNTING POLICIES (Continued)

(ii) Recognition and measurement (Continued)

e. Retrocession contracts held

Contracts entered into by the Corporation with retrocessionnaires under which the Corporation is compensated for losses on one or more contracts issued by the Corporation and that meet the classification requirements for reinsurance contracts are classified as retrocession contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Retrocession premiums payable are recognised in the period in which the related premium income and claims are earned /incurred, respectively.

The benefits to which the Corporation 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.

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

f. Receivable and payables related to reinsurance contracts

Receivables and payables are recognised when due. These include amounts due to and from cedants and brokers.

If there is objective evidence that the reinsurance receivable is impaired, the Corporation reduces the carrying amount of the reinsurance receivable accordingly and recognises the impairment loss in profit or loss. The Corporation gathers the objective evidence that a reinsurance 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.

g. Premium and loss reserves

Premium and loss reserves relate to premiums retained by cedants as a deposit for due performance of obligations by the reinsurers. The percentage retained varies from one treaty to another and from one cedant to another. Premium and loss reserves are recognised when retained by the cedants. Premiums retained are subsequently released to the reinsurer at the expiry of the policy period.

Other income recognition

Acquisition cost recoveries are recognised as income in the period in which they are earned. Interest income is recognised on a time proportion basis that takes into account the effective yield on the principal outstanding. Dividends receivable are recognised as income in the period in which the right to receive payment is established.

Foreign currency transactions

Transactions in foreign currencies during the period are converted into Kenya Shillings at rates ruling at the transaction dates. Assets and liabilities at the reporting date, which are expressed in foreign currencies, are translated into Kenya Shillings at rates ruling at the reporting date. The resulting differences are dealt with in profit or loss in the period in which they arise.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1 ACCOUNTING POLICIES (Continued)

Taxation

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in associates, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

(iii) Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Investment properties

Investment properties comprise land and buildings and parts of buildings held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from the changes in fair value of investment properties are included in profit or loss in the period which they arise.

An investment property is derecognised upon disposal or when investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property is included in profit or loss in the period which the property is derecognised.

Property and equipment

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

Property and equipment is revalued at periodic intervals, usually every three to five years. The basis of valuation is depreciated replacement cost.

Any revaluation increase arising on the revaluation of such property and equipment is credited to other comprehensive income and accumulated in the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such property and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Any accumulated depreciation at the date of the revaluation is eliminated against the carrying amount of the asset.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1 ACCOUNTING POLICIES (Continued)

Depreciation

Depreciation is calculated on the straight line basis to write off the cost or valuation of the property and equipment over their expected useful lives at the following annual rates:-

Computer equipment	25.0%
Motor vehicles	25.0%
Furniture, fittings and equipment	12.5%

Intangible assets – computer software and licenses

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives, not exceeding a period of three years. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment

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

Any impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Non current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets classified as held for sale are measured at the lower of the asset's previous carrying amount and the market value less costs to sell.

Leases

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

Corporation as a lessor

Rental income from operating leases is recognised on the straight line basis over the term of the relevant lease.

Corporation as a lessee

Rentals payable under operating leases are charged to profit or loss. Any payment required to be made to the lessor by way of penalty, for termination of leases before the expiry of the lease period, is recognised in the year in which the termination takes place. Payments to acquire leasehold interests in land are treated as prepaid operating lease rentals and amortised over the period of the lease.

Inventories

Inventories comprise housing units for sale.

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

1 ACCOUNTING POLICIES (Continued)

Revaluation reserve

The revaluation reserve relates to equipment. The reserve is non-distributable. The revaluation surplus represents the surplus on the revaluation of equipment, net of deferred tax. Movements in the revaluation reserve are shown in the statement of changes in equity.

Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised.

Translation reserve

The translation reserve relates to cumulative foreign exchange movement on the net investment in PTA Re, an associate company accounted for under the equity method.

Statutory reserve

The statutory reserve represents actuarial surpluses from the long term business whose distribution is subject to 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 the accumulated profits of the long term business

Investment in associate

Investment in associate is accounted for using the equity method of accounting. The associate is a company in which the Corporation has between 20% and 50% of the voting rights and over which the Corporation exercises significant influence but which it does not control. Significant influence is the power to participate in financial and operating policy decisions of the investment but it is not control or joint control over those policies.

Under the equity method, the investment in associate is carried in the statement of financial position at cost as adjusted for post-acquisition changes in the Corporation's share of the net assets of the associate, less any impairment in the carrying value of the investments. Losses of the associate in excess of the Corporation's interest in the associate are recognised only to the extent that the Corporation has incurred legal or constructive obligations or made payments on behalf of the associate.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset or liability is recognised when the Corporation becomes party to the contractual provisions of the instrument.

Financial assets

The Corporation classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the appropriate classification of its financial assets at initial recognition and re-evaluates this at every reporting date. The classification depends on the purpose for which the financial assets were acquired.

Classification

Financial assets at fair value through profit or loss

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the company intends to sell in the short term or that it has designated as at fair value through income or available-for-sale. They arise when the Corporation provides money directly to a debtor with no intention of trading the receivable. These include mortgage loans, receivables arising out of reinsurance and retrocession arrangements, premium and loss reserves and other receivables.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1 ACCOUNTING POLICIES (Continued) Classification (Continued)

Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation's management has the positive intention and ability to hold to maturity. Were the Corporation to sell or reclassify other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale. This class includes government securities, deposits with financial institutions and corporate bonds.

Available-for-sale financial assets

This category represents financial assets that are not (a) financial assets at fair value through profit or loss, (b) loans and receivables, or (c) financial assets held to maturity. This class includes quoted and unquoted equity instruments.

Available for sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Recognition

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of financial assets carried at fair value through profit or loss are included in profit or loss in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments fair value reserve is reclassified to profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Corporation has transferred substantially all risks and rewards of ownership.

Financial liabilities

All financial liabilities are classified as other financial liabilities and are initially measured at fair value net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method.

Employee entitlements

Entitlements to annual leave are recognised when they accrue to employees. Provision is made for the estimated liability in respect of annual leave accrued on the reporting date.

Cash and cash equivalents

Cash and cash equivalents include short term liquid investments which are readily convertible into known amounts of cash and which are within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

Retirement benefits obligations

Defined benefit scheme

The Corporation operates a defined benefit pension scheme (the "Scheme") for its employees. The assets of this scheme are held in a separate trustee administered fund. The scheme is funded by contributions from both the employees and the employer. Contributions are determined by the rules of the scheme. The cost of providing retirement benefits is assessed using the attained age method by qualified actuaries. The scheme is valued annually.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1 ACCOUNTING POLICIES (Continued)

Retirement benefits obligations (Continued)

Defined benefit scheme(Continued)

The Corporation operates a defined benefit pension scheme (the "Scheme") for its employees. The assets of this scheme are held in a separate trustee administered fund. The scheme is funded by contributions from both the employees and the employer. Contributions are determined by the rules of the scheme. The cost of providing retirement benefits is assessed using the attained age method by qualified actuaries. The scheme is valued annually.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the Scheme.

Effective 30 September 2011, the Scheme was closed to new entrants.

Statutory defined contributions scheme

The Corporation also contributes to the statutory defined contribution pension scheme, the National Social Security Fund (NSSF). The Corporation's obligations to retirement benefits schemes are charged to the profit or loss as they fall due.

Other employee entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave accrued at the end of the reporting period.

Dividends

Dividends payable to shareholders are charged to equity in the period in which they are declared. Proposed dividends are not accrued until they have been ratified at the Annual General Meeting.

Comparatives

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

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The ultimate liability arising from claims payable under reinsurance contracts

For short term reinsurance, the assumption is based on an actuarial model which relies on the basic approach of the "Bornhuetter-Ferguson" method. This method relies on historical loss ratios in order to derive estimates of the total outstanding claims without differentiating between the reported outstanding claims and the incurred but not reported claims as at the reporting date. The method relies on the accuracy of the past claims data and past claims trends in order to project future estimates. The method also assumes implicitly that the weighted average of past claims inflation will be repeated in the future. The method used takes the past trends of claims run-off for each class of business and projects these trends to the future. Accordingly, the statistical method used will not produce reliable results if the fundamental assumption of a stable pattern of past trends of claims is not fulfilled.

For long term reinsurance, the assumption is based on an actuarial model which relies on risk premiums rates based on the gross annual premiums written, adjustments are made for an AIDs reserve and a claims equalization reserve. The model is open to some uncertainty in the estimation of the appropriate percentage of gross premiums to apply and the estimated value of the contingency reserve. Estimations related to the AIDs reserve rely on changes on mortality rates which may have some variations depending on the source of the data.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY(Continued)

Held-to-maturity investments

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

Available for sale investments

The fair value of financial instruments that are not quoted in an active market are carried at cost. The directors estimate that the fair value of the unlisted equity investments approximates their cost.

Useful lives of equipment and intangible assets

The Corporation reviews the estimated useful lives of property and equipment and intangible assets at the end of each annual reporting period.

3 FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The disclosures below summarises the way the Corporation manages key risks:

Reinsurance risk

The Corporation reinsures all classes of insurance business including accident, engineering, liability, motor, fire, aviation and life. The bulk of the business written is of a short-term nature.

The risk under any one insurance contract arises from the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

Frequency and severity of claims

A key risk, related to pricing and provisioning, that the Corporation faces under its reinsurance contracts is that the actual claims and benefit payments exceed the carrying amount of the reinsurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established based on past experience.

The Corporation has developed its reinsurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Corporation also manages these risks through its underwriting strategy and adequate retrocession arrangements and proactive claims handling. Underwriting limits are in place to enforce appropriate risk selection criteria. The reinsurance arrangements include proportional and non proportional treaties. The expected effect of such reinsurance arrangements is that the Corporation should not suffer total net insurance losses of more than set limits per class of business.

Sources of uncertainty in the estimation of future claim payments

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Corporation takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

3 FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The liability for these contracts comprise a provision for incurred but not reported (IBNR) claims, a provision for reported claims not yet paid and a provision for unexpired risks at the end of the reporting period.

In estimating the liability for the cost of reported claims not yet paid, the Corporation considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. The main assumption underlying this technique is that the Corporation's past claims development experience be used to project future claims development and hence ultimate claims costs.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Concentration of insurance risk

The Corporation's concentration of reinsurance risk is determined by class of business. The shared characteristic that identifies each concentration is the insured event and the key indicator is the gross earned premium as disclosed in note 6.

An analysis of the Corporation's financial assets and its reinsurance liabilities is presented below;

	Long term business 2014 Kshs '000	Short term business 2014 Kshs '000	Total 2014 Kshs '000	Total 2013 Kshs '000
Financial assets				
Debt securities:				
Held to maturity:				
- Government securities	1,559,241	6,153,160	7,712,401	7,693,954
- Corporate bonds	-	419,134	419,134	141,846
Equity securities:				
- Available for sale (Quoted)	-	3,256,975	3,256,975	2,959,490
- Available for sale (Unquoted)	-	167,113	167,113	59,965
Receivables arising out of reinsurance arrangements	186,055	2,036,906	2,222,961	2,002,956
Premium and loss reserves	-	170,786	170,786	194,055
Mortgage loans	-	714,956	714,956	734,456
Cash and cash equivalents (note 41)	2,985,946	3,746,074	6,732,020	4,415,833
Other receivables	-	103,009	103,009	109,603
Total financial assets	4,731,242	16,768,113	21,499,355	18,312,158
Reinsurance liabilities				
Long term liabilities	2,097,681	-	2,097,681	2,094,357
Short term liabilities	-	4,518,138	4,518,138	3,702,715
Total reinsurance liabilities	2,097,681	4,518,138	6,615,819	5,797,072

Reinsurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non interest bearing.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

3 FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued) Reinsurance risks (Continued)

The tables below indicate the contractual timing of cash flows arising from assets and liabilities

	Carrying amount Kshs '000	No stated maturity Kshs '000	Contractual cash flows (undiscounted)		
			0-1 years Kshs '000	1-5 years Kshs '000	>5 yrs Kshs '000
Financial assets					
Debt securities:					
Held to maturity:					
- Government bonds	7,712,401	-	153,150	320,433	7,238,818
- Corporate bonds	419,134	-	-	-	419,134
Equity securities:					
- Available for sale	3,256,975	3,256,975	-	-	-
Receivables arising out of reinsurance arrangements	2,222,961	2,222,961	-	-	-
Premium loss reserves	170,786	170,786	-	-	-
Mortgage loans	714,956	-	-	-	714,956
Cash and cash equivalents	6,732,020	-	6,732,020	-	-
Total	21,229,233	5,650,722	6,885,170	320,433	8,372,908
Reinsurance liabilities					
Long term liabilities	2,097,681	2,097,681	-	-	-
Short term liabilities	4,518,138	4,518,138	-	-	-
Total	6,615,819	6,615,819	-	-	-
Net gap	14,613,414	(965,097)	6,885,170	320,433	8,372,908
31 December 2013					
Financial assets	18,142,590	5,156,501	5,238,797	424,838	7,322,454
Reinsurance liabilities	5,797,072	5,797,072	-	-	-
Net gap	12,345,518	(640,571)	5,238,797	424,838	7,322,454

Financial risk

The Corporation is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk.

The Corporation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Corporation's financial performance. The risk management policies established identify and analyse the risks faced by the Corporation, set appropriate risk limits and controls, and monitor risks and adherence to limits. These risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Corporation, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

(a) Liquidity risk

Liquidity risk is current or prospective risk to earnings and capital arising from the Corporation's failure to meet its maturing obligations when they fall due without incurring unacceptable losses. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation.

3 FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Financial risk(Continued)

(a) Liquidity risk

To this end, there is a Board approved policy to effectively manage liquidity at all times to meet claims payable, unexpected outflow/ non-receipt of expected inflow of funds as well as ensure adequate diversification of funding sources. The Finance, Investment and Tender Oversight Committee undertakes liquidity management and scenario analysis as per the policy.

Funds are raised mainly from reinsurance premiums and investment income and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Corporation continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Corporation strategy.

In addition, the Corporation holds a portfolio of liquid assets as part of its liquidity risk management strategy.

The table below analyses the liquidity position of the Corporation's financial liabilities. The amounts disclosed in the table below are the contractual undiscounted cash flows.

	Due on demand Kshs '000	Due after 1 year Kshs '000	Total Kshs '000
31 December 2014			
Long term reinsurance contract liabilities	-	2,097,681	2,097,681
Short term insurance contract liabilities	4,518,138	-	4,518,138
Payables arising out of reinsurance arrangements	373,363	78,328	451,691
Total financial liabilities	4,891,501	2,176,009	7,067,510
31 December 2013			
Long term reinsurance contract liabilities	-	2,094,357	2,094,357
Short term insurance contract liabilities	3,702,715	-	3,702,715
Payables arising out of reinsurance arrangements	580,193	121,719	701,912
Total financial liabilities	4,282,908	2,216,076	6,498,984

(b) Market risk

Management of market risk

Market risk is the risk that changes in market prices, interest rates and foreign exchange rates will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Overall authority for market risk is vested in the board of directors. The board of directors is responsible for the development of detailed risk management policies and for the day-to-day review of their implementation.

Interest rate risk

The principal risk to which financial assets and liabilities are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps. The board of directors is the monitoring body for compliance with these limits and is assisted by risk management in its day-to-day monitoring activities.

The interest earning financial assets that the Corporation holds include investments in government securities, mortgage loans and short-term deposits.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

3 FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Financial risk

(b) Market risk (Continued)

Interest rate risk (Continued)

Liabilities under short term insurance contracts are not interest bearing. For liabilities under long term re-insurance contracts, with fixed terms, changes in interest rates will not cause a change to the amount of the liability.

Currency rate risk

The Corporation underwrites reinsurance contracts from cedants in various currencies and is thus exposed to risk related to fluctuations in currency.

Price risk

The Corporation is exposed to equity securities price risk as a result of its holdings in equity investments which are listed and traded on the Nairobi and Dar-es-Salaam Securities Exchanges and which are classified as available for sale financial assets. Exposure to equity price risks in aggregate is monitored in order to ensure compliance with the relevant regulatory limits for solvency purposes.

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

(c) Credit risk

The Corporation has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Corporation manages, limits and controls concentration of credit risks periodically against internal and regulatory requirements with respect to individual counterparties or related Corporations of counterparties, industry sectors, business lines, product types, amongst others.

Key areas where the Corporation is exposed to credit risk are:

- amounts due from reinsurers in respect of claims already paid;
- amounts due from cedants;
- amounts due from re-insurance intermediaries; and
- mortgage advances to its customers and staff.

The Corporation structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty or Corporations of counterparty, and to geographical and industry segments. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk by category and territory are approved quarterly by the board of directors.

The creditworthiness of cedants is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The Corporation maintain records of the payment history for significant contract holders with whom they conduct regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Corporation. Management information reported to the board of directors includes details of provisions for impairment on amounts due from cedants and subsequent write-offs.

Investments in government securities are deemed adequately secured by the Government of Kenya with no inherent default risk. The credit risk on the corporate bonds, deposits and balances with financial institutions is considered to be low because the counterparties are companies and banks with high credit ratings. The credit risk on mortgages is managed by ensuring that the mortgage issued is secured by the related property and that the mortgage amount given is below the value of the related property.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

3 FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Financial risk

(c) Credit risk (Continued)

The following table details the maximum exposure before consideration of any collateral:

	2014 Sh'000	2013 Sh'000
Held to maturity instruments		
Government securities	7,712,401	7,693,954
Deposits with financial institutions	6,507,244	4,217,002
Corporate bonds	419,134	141,846
Loans and receivables at amortized cost		
Mortgage loans	714,956	734,456
Receivables arising out of reinsurance arrangements	2,222,961	2,002,956
Premium and loss reserves	170,786	194,055
Cash and bank balances	224,776	198,831
Other receivables	103,009	109,603
Total assets bearing credit risk	18,075,267	15,292,703

Receivables arising out of reinsurance arrangements are summarized as follows:

	2014 Sh'000	2013 Sh'000
Neither past due nor impaired	700,466	440,020
Past due but not impaired:		
-up to 91 to 365 days	1,036,163	1,221,404
-up to 1 to 2 years	486,332	341,532
-up to 2 to 3 years	-	-
Impaired	1,173,420	1,306,371
	3,396,381	3,309,327
Less: provision for impairment	(1,173,420)	(1,306,371)
Total	2,222,961	2,002,956

Fair value of financial assets and liabilities

(i) Financial instruments not measured at fair value

No disclosures are provided in respect of fair value of financial instruments not measured at fair value because financial instruments carrying amounts are a reasonable approximation of their fair values.

(ii) Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the corporation's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The corporation considers relevant and observable market prices in its valuations where possible.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

3 FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value of financial assets and liabilities (Continued)

(ii) Fair value hierarchy (Continued)

The following table shows an analysis of financial and non-financial instruments recorded at fair value by level of the fair value hierarchy:

At 31 December 2014	Level 1 Sh'000	Level 2 Sh'000	Level 3 Sh'000	Total Sh'000
Quoted equity instruments	3,256,975	-	-	3,256,975
Unquoted equity instruments	-	167,113	-	167,113
Receivables arising out of reinsurance arrangements	-	2,222,961	-	2,222,961
Corporate bonds	419,134	-	-	419,134
Government securities	7,712,401	-	-	7,712,401
Deposits with financial institutions	6,507,244	-	-	6,507,244
Cash and bank balances	224,776	-	-	224,776
Non - financial assets				
Investment properties	7,195,000	-	-	7,195,000
	25,315,530	2,390,074	-	27,705,604
Reinsurance liabilities				
Long term reinsurance contract liabilities	-	2,097,681	-	2,097,681
Short term reinsurance contract liabilities	-	4,518,138	-	4,518,138
Payables arising out of reinsurance arrangements	-	451,691	-	451,691
	-	7,067,510	-	7,067,510
At 31 December 2013				
Financial assets				
Quoted equity instruments	2,959,490	-	-	2,959,490
Unquoted equity instruments	-	59,965	-	59,965
Receivables arising out of reinsurance arrangements	-	2,002,956	-	2,002,956
Corporate bonds	141,846	-	-	141,846
Government securities	7,693,954	-	-	7,693,954
Deposits with financial institutions	4,217,002	-	-	4,217,002
Cash and bank balances	198,831	-	-	198,831
Non- financial assets				
Investment properties	6,459,000	-	-	6,459,000
	21,670,123	2,062,921	-	23,733,044
Reinsurance liabilities				
Long term reinsurance contract liabilities	-	2,094,357	-	2,094,357
Short term reinsurance contract liabilities	-	3,702,715	-	3,702,715
Payables arising out of reinsurance arrangements	-	701,912	-	701,912
	-	6,498,984	-	6,498,984

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

4 CAPITAL MANAGEMENT

As at 31 December 2014, the required level of paid up share capital for a composite reinsurance company was Sh 800 million.

The Corporation's objectives in managing its capital are:

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

The Corporation has a number of sources of capital available to it and seeks to optimize its retention capacity in order to ensure that it can consistently maximize returns to shareholders. The Corporation considers not only the traditional sources of capital funding but the alternative sources of capital including retrocession, as appropriate, when assessing its deployment and usage of capital. The Corporation manages as capital all items that are eligible to be treated as capital. The Corporation has no borrowings.

During the year the Corporation held the minimum paid up capital required and also met the required solvency margins.

5 SEGMENTAL REPORTING

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Corporation that are regularly reviewed by the Chief Operating Decision Maker (CODM) in order to allocate resources to the segments and to assess performance.

Thus, under IFRS 8 the Corporation's reportable segments are long term business and short term business. The short term business segment comprises of motor, marine, aviation, fire, and accident. The long term business segment includes individual and Corporation life. These segments are the basis on which the CODM allocates resources and assesses performance. Investment and cash management for the Corporation's own accounts are also reported as part of the above segments. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest and investment income is credited to business segments based on segmental capital employed.

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

6 PREMIUMS INCOME

The Corporation is organised into two main divisions, General reinsurance and Long term business. Long term business relates to the underwriting of risks relating to death of an insured person. General insurance business relates to all other categories of short term insurance business written by the Corporation, analysed into several sub-classes of business based on the nature of the assumed risks.

The premium income of the Corporation can be analysed between the main classes of business as shown below:

	Long term Business Sh'000	Short term business Sh'000	Total 2014 Sh'000	Total 2013 Sh'000
Super annuation	906,521	-	906,521	948,177
Ordinary life	107,885	-	107,885	47,382
Motor	-	499,613	499,613	462,403
Fire	-	2,394,397	2,394,397	2,113,969
Theft	-	608,470	608,470	632,155
Personal accident	-	1,803,292	1,803,292	799,336
Engineering	-	682,628	682,628	646,102
Marine	-	606,040	606,040	658,683
Other	-	2,704,562	2,704,562	2,273,62
	1,014,406	9,299,002	10,313,408	8,581,830

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

7 INVESTMENT INCOME

	Long term business Sh'000	Short term business Sh'000	Total 2014 Sh'000	Total 2013 Sh'000
Rental income from investment properties	159,886	551,912	711,798	619,050
Interest on Government securities held to maturity	141,846	724,954	866,800	843,826
Reclassification from equity of accumulated fair value gain on available for sale quoted equity instruments	-	250,555	250,555	307,681
Realised gain on sale of available for sale quoted equity instruments	-	12,895	12,895	73,611
Dividends receivable on available for-sale quoted equity instruments	-	109,543	109,543	107,923
Interest on commercial mortgages	-	81,199	81,199	66,943
Interest on deposits with financial institutions – held to maturity	154,028	312,601	466,629	229,673
Interest on corporate bonds – held to maturity	-	25,658	25,658	18,425
Profit on sale of non current asset held for sale	-	-	3,757	-
Interest on staff mortgages and loans	-	10,458	10,458	6,860
Capital gain on disposal of government securities	-	56,400	56,400	-
Total investment income	455,760	2,136,175	2,591,935	2,277,749

8 OTHER INCOME

Miscellaneous income	-	81,516	81,516	76,472
Net foreign exchange gains	-	63,405	63,405	-
Total	-	144,921	144,921	76,472

9 CLAIMS INCURRED

Claims paid	436,760	5,138,706	5,575,466	4,571,954
Changes in the provision for outstanding claims	-	815,424	815,424	652,724
Increase in actuarial liability	3,324	-	3,324	21,325
Gross claims incurred	440,084	5,954,130	6,394,214	5,246,003
Less: Amounts recoverable from retrocessionaires	(27,622)	(409,052)	(436,674)	(522,833)
Net claims incurred	412,462	5,545,078	5,957,540	4,723,170

10 OPERATING AND OTHER EXPENSES

Staff costs (note 11)	67,882	329,085	396,967	388,149
Depreciation (note 16)	5,667	27,472	33,139	23,019
Amortisation (note 17)	261	1,264	1,525	3,407
Auditors' remuneration	1,111	5,387	6,498	5,457
Directors' emoluments - fees	2,190	10,617	12,807	12,315
Mortgages provisions	1,027	4,977	6,004	4,476
Annual General Meeting expenses	-	-	-	4,737
Fines and penalties	2,022	9,802	11,824	14,962
Investment property direct operating expenses	1,194	5,789	6,983	216
Net foreign exchange losses	35,015	169,751	204,766	192,378
Travel and accommodation	-	-	-	34,281
Advertisement	9,120	44,211	53,331	42,305
Professional and consultancy fees	2,701	13,096	15,797	10,610
Impairment charge on unquoted equity instruments	21,924	106,285	128,209	82,221
Taxation expenses in West Africa	-	-	-	30,006
Other expenses	-	17,994	17,994	-
	30,434	166,377	196,811	166,229
	180,548	912,107	1,092,655	1,014,768

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

11 STAFF COSTS

	Long term business Sh'000	Short term business Sh'000	Total 2014 Sh'000	Total 2013 Sh'000
Salaries and wages	49,155	238,302	287,457	285,460
Retirement benefit costs (note 38)	239	1,156	1,395	2,679
Medical expenses	3,319	16,088	19,407	18,203
Leave allowance	3,809	18,465	22,274	21,459
National social security benefit costs	179	866	1,045	240
Gratuity accrual	-	-	-	361
Bonus 1,866	9,047	10,913	12,581	
Staff welfare expenses	2,520	12,219	14,739	10,406
Training and recruitment	2,398	11,625	14,023	14,386
Leave pay provision	844	4,094	4,938	1,975
Pension contributions	3,553	17,223	20,776	20,399
	67,882	329,085	396,967	388,149

12 TAXATION CHARGE

	2014 Sh '000	2013 (restated) Sh '000
(a) Taxation charge		
Current tax at 30% on the taxable profit for the year	567,195	384,695
Prior year over provision	(17,952)	(136,756)
Tax penalties	17,276	-
	566,519	247,939
Deferred taxation charge (note 19)		
- Current year	280,785	22,281
- Prior year adjustment (note 44)	-	207,965
- Prior year under provision	(64,744)	(1,848)
	216,041	228,398
	782,560	476,337

(b) The Corporation's current tax charge is computed in accordance with income tax rules applicable to composite Kenyan insurance and reinsurance companies. A reconciliation of the tax charge is shown below:

Short term business profit before taxation	3,297,333	2,548,410
Long term business profit before taxation	622,399	720,393
Profit before taxation	3,919,732	3,268,803
Tax applicable rate of 30%	1,175,920	980,641
Tax effects of non taxable income	(398,347)	(669,773)
Tax effect of non-deductible expenses	70,407	96,108
Prior year adjustment (note 44)	-	207,965
Tax penalty	17,276	-
Prior year over provision- current tax	(17,952)	(136,756)
Prior year under provision- deferred tax	(64,744)	(1,848)
	782,560	476,337

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

12 TAXATION CHARGE(Continued)

(b)The Corporation's current tax charge is computed in accordance with income tax rules applicable to composite Kenyan insurance and reinsurance companies. A reconciliation of the tax charge is shown below: (Continued)

	2014 Sh '000	2013 (restated) Sh '000
Attributable to:		
Long term business	212,750	235,140
Short term business	569,810	241,197
	782,560	476,337
(c)Taxation payable		
At 1 January	41,132	164,661
Charge for the year	566,519	247,939
Paid in the year	(459,611)	(371,468)
At 31 December	148,040	41,132
Attributable to:		
Long term business	-	-
Short term business	148,040	41,132
	148,040	41,132

13 EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares in issue during the year.

	2014	2013 (restated)
Profit attributable to shareholders (Sh'000)	3,137,172	2,792,466
Weighted average number of ordinary shares in issue	699,949	699,949
Basic and diluted earnings per share (Sh)	4.48	3.99

There were no potentially dilutive shares outstanding at 31 December 2014 and 2013. The diluted earnings per share is therefore the same as the basic earnings per share.

14 DIVIDENDS

The directors propose the payment of a first and final dividend of Sh 0.70 (2013 – Sh 0.60) per share totalling to Sh 490 million in respect of the year ended 31 December 2014 (2013 – Sh 420 million). The proposed dividends are subject to approval by shareholders at the Annual General Meeting and therefore the cash dividend has not been included as a liability in these financial statements.

The cash dividend is payable subject to, where applicable, deduction of withholding tax as required under the Kenyan Income Tax Act, Chapter 470, Laws of Kenya.

The movement in the dividend payable account is as follows:

	2014 Sh '000	2013 Sh '000
At 1 January	-	-
Dividend declared	419,969	279,980
Dividends paid	(419,969)	(279,980)
At 31 December	-	-
Proposed cash dividend per share (Sh)	0.70	0.60



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

15 INVESTMENT PROPERTIES

	Long term Business 2014 Kshs '000	Short term Business 2014 Kshs '000	Total 2013 Kshs '000	Total 2012 Kshs '000
At fair value				
At 1 January	1,145,000	5,314,000	6,459,000	5,935,000
Additions	1,192	50,010	51,202	82,412
Fair value gain	53,808	630,990	684,798	441,588
At 31 December	1,200,000	5,995,000	7,195,000	6,459,000

(i) Investment properties comprise office buildings held to earn rentals and/or capital appreciation and land acquired for development of office buildings and housing projects for rental and/or capital appreciation.

(ii) The valuation of investment properties was last carried out by Chapter Property Consultants Limited, professional independent valuers as at 31 December 2014. The basis of valuation was open market value, based on the highest and best use of the properties.

16 PROPERTY AND EQUIPMENT

Cost or valuation	Motor vehicles Sh'000	Computers Sh'000	Furniture & equipment Sh'000	Total Sh'000
At 1 January 2013	8,017	29,976	82,112	120,105
Additions	3,223	44,494	7,665	55,382
At 31 December 2013	11,240	74,470	89,777	175,487
At 1 January 2014	11,240	74,470	89,777	175,487
Additions	3,765	4,705	4,442	12,912
At 31 December 2014	15,005	79,175	94,219	188,399
COMPRISING				
Cost	13,205	55,865	86,428	155,498
Valuation - 2008	1,800	-	-	1,800
Valuation - 2011	-	23,310	7,791	31,101
	15,005	79,175	94,219	188,399
Depreciation				
At 1 January 2013	5,297	13,145	21,152	39,594
Charge for the year	2,218	10,460	10,341	23,019
At 31 December 2013	7,515	23,605	31,493	62,613
At 1 January 2014	7,515	23,605	31,493	62,613
Charge for the year	2,853	18,738	11,548	33,139
At 31 December 2014	10,368	42,343	43,041	95,752
Net book value				
At 31 December 2014	4,637	36,832	51,178	92,647
At 31 December 2013	3,725	50,865	58,284	112,874
Net book value at cost				
At 31 December 2014	4,189	31,620	48,705	84,513
At 31 December 2013	3,725	40,881	54,197	98,803

Computers, furniture and equipment were last valued on 31 March 2011 by independent professional valuers, Gimco Limited. The basis of the revaluation was depreciated replacement cost.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

17 INTANGIBLE ASSETS

	Intangible Assets	Capital WIP	Total
Cost			
At 1 January 2013	48,908	-	48,908
Additions	5,508	59,879	65,387
Write-off	(13,813)	-	(13,813)
At 31 December 2013	40,602	59,879	100,482
At 1 January 2014	40,603	59,879	100,482
Additions	1,639	28,908	30,547
At 31 December 2014	42,242	88,787	131,029
Amortisation			
At 1 January 2013	46,304	-	46,304
Charge for the year	3,407	-	3,407
Write-off	(13,813)	-	(13,813)
At 31 December 2013	35,898	-	35,898
At 1 January 2014	35,898	-	35,898
Charge for the year	1,525	-	1,525
At 31 December 2014	37,423	-	37,423
Net book value			
At 31 December 2014	4,819	88,787	93,606
At 31 December 2013	4,705	59,879	64,584

Intangible assets relate to purchased computer software and licenses. Obsolete software with a cost of Sh 13.8 million was written off in 2013. This software was fully amortised and no longer in use.

18 INVESTMENT IN ASSOCIATE

	2014 Sh '000	2013 Sh '000
At 1 January	1,652,940	1,340,048
Share of profit for the year	275,894	257,000
Less dividends received	(56,579)	(41,982)
	1,872,255	1,555,066
Share of revaluation reserve	493	10
Share of fair value reserve	28,594	44,886
Currency translation adjustment	106,720	52,978
	135,807	97,874
At 31 December	2,008,062	1,652,940

This represents an investment in ZEP-Re (PTA Reinsurance) Company, a reinsurance company that underwrites all classes of life and non-life reinsurance risks.



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

18 INVESTMENT IN ASSOCIATE (Continued)

Summary financial information for ZEP-Re

The associate's year end is 31 December. The associate company is exempt from all forms of taxation. The presentation currency for ZEP-Re is US Dollars. The following exchange rates have been applied in converting the balances to Kenya shillings:

	2014 Sh	2013 Sh
Closing rate	90.60	86.31
Average rate	87.92	86.13
Ownership	15.44%	18.11%

During 2014, there was a dilution of the Corporation's equity interest ownership percentage in the associate due to capitalisation of dividends paid in the year, in which the Corporation did not participate. In addition, the associate sold equity interests to new investors. The directors have determined that the Corporation was in a position to exercise significant influence on the associate at the end of the year.

	2014 Sh '000	2013 Sh '000
Total assets	23,123,406	17,421,044
Total liabilities	(10,114,759)	(8,295,621)
Net assets	13,008,647	9,125,423
Corporation's share of net assets of associate	2,008,062	1,652,940
Profit before taxation	1,644,676	1,325,989
Share of profit for the year	275,894	257,000
Less: dividends received	(56,579)	(41,982)
Corporation's share of associate's profit	219,315	215,018

During the year, a dividend of Sh 56,578,803 (2013 – Sh 41,981,573) was received.

19 DEFERRED TAXATION LIABILITY

Deferred income taxes are calculated on all temporary differences under the liability method using the enacted tax rate of 30 %.

	2014 Sh '000	2013 (restated) Sh '000
The net deferred taxation asset is attributable to the following items:		
Deferred tax assets:		
Excess depreciation over capital allowances	(6,092)	(4,612)
Leave pay provision	(7,357)	(6,259)
Defined benefit liability	(419)	-
Provision for fines and penalties	(11,005)	-
Unrealised exchange loss	-	(10,559)
Bad debts provisions	(548,883)	(578,657)
	(573,756)	(600,087)

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

19 DEFERRED TAXATION LIABILITY

	2014 Sh '000	2013 (restated) Sh '000
Deferred tax liabilities:		
Revaluation surplus – property and equipment	1,169	3,098
Unrealised exchange gain	18,788	-
Defined benefit asset	-	2,713
Life fund actuarial surplus	1,104,318	928,754
Net deferred taxation liability	550,519	334,478
The movement on the deferred taxation account during the year was as follows:		
At 1 January	334,478	(614,709)
Prior year adjustment (note 44)	-	928,754
Charge for the year (note 12)	280,785	22,281
Prior year under provision	(64,744)	(1,848)
At 31 December	550,519	334,478

20 DEFERRED ACQUISITION COSTS

At 1 January	960,819	761,158
Movement in the year	187,433	199,661
At 31 December	1,148,252	960,819

21 UNQUOTED EQUITY INSTRUMENTS – AVAILABLE FOR SALE

At cost		
At 1 January	59,965	89,971
Addition	107,148	
Impairment charge	-	(30,006)
At 31 December	167,113	59,965

The investment in unquoted equity instruments is analysed as follows:

Industrial Development Bank (12% shareholding)	24,474	24,474
Africa Reinsurance Limited (0.2% shareholding)	35,491	35,491
African Trade Insurance Agency (0.6% shareholding)	87,506	-
Uganda Reinsurance Company Limited (7.8% shareholding)	19,642	-
Gross investment	167,113	59,965

22 INVENTORY

At 1 January	28,794	28,794
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Inventories comprise property units for sale.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

23 NON CURRENT ASSETS HELD FOR SALE

	2014 Sh '000	2013 (restated) Sh '000
At 1 January	28,098	40,032
Disposal	-	(11,934)
At 31 December	28,098	28,098

The non current assets held for sale represent office blocks and land which the Corporation intends to sell within the next 12 months. The Corporation continues to actively market the remaining non current assets held for sale.

24 MORTGAGE LOANS

	2014 Sh '000	2013 Sh '000
Commercial mortgages	608,127	634,541
Staff mortgages	217,754	202,327
	825,881	836,868
Less: impairment provision	(110,925)	(102,412)
	714,956	734,456
Maturity analysis		
Within 1 year	6,150	61
Within 1 to 5 years	212,358	8,174
Over 5 years	496,448	726,221
	714,956	734,456

The weighted average effective interest rate on the mortgages was 11.63% (2014 – 13.35%).

25 RECEIVABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

	Long term business 2014 Sh '000	Short term business 2014 Sh '000	Total 2014 Sh '000	Total 2013 Sh '000
Local companies	186,055	930,007	1,116,062	1,186,188
International companies	-	2,280,319	2,280,319	2,123,139
	186,055	3,210,326	3,396,381	3,309,327
Less: impairment provision	-	(1,173,420)	(1,173,420)	(1,306,371)
	186,055	2,036,906	2,222,961	2,002,956

26 PREMIUM AND LOSS RESERVES

	2014 Sh '000	2013 Sh '000
International companies	646,701	735,334
Local companies	42,403	48,215
Provision for impaired balances	(518,318)	(589,494)
	170,786	194,055

Premium and loss reserves relate to premiums retained by cedants as deposits for due performance of obligations by the reinsurers. Premiums retained are subsequently released to the reinsurer at the expiry of the policy period.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

27 OTHER RECEIVABLES

	2014 Sh '000	2013 Sh '000
Staff advances	41,206	45,062
Prepayments	593	1,105
Rental receivables	625	1,887
Dividends receivable	9,538	3,748
Due from the investment custodian	49,870	56,218
Other receivables	1,177	1,583
	103,009	109,603

28 CORPORATE BONDS

Held to maturity

Kenya Electricity Generating Company Limited (maturity: 9 November 2019)	30,295	37,451
Consolidated Bank of Kenya Limited (maturity: 30 July 2022)	105,679	104,395
NIC Bank (maturity: 5 September 2024)	207,898	-
Commercial Bank of Africa Ltd (maturity: 14 December 2020)	75,262	-
	419,134	141,846

The effective interest rate on the corporate bond at 31 December 2014 was 12.73% (2013 – 12.5 %)

29 QUOTED EQUITY INSTRUMENTS – AVAILABLE FOR SALE

	2014 Sh '000	2013 Sh '000
At fair value		
At 1 January	2,959,490	2,436,749
Fair value gain	364,123	732,270
Purchases during the year	306,895	158,320
Disposals during the year	(373,533)	(367,849)
At 31 December	3,256,975	2,959,490

30 GOVERNMENT SECURITIES

	Long term business 2014 Sh '000	Short term business 2014 Sh '000	Total 2014 Sh '000	Total 2014 Sh '000
Held to maturity				
Maturing:				
- Within 3 months	-	-	-	185,636
- Within 4 to 12 months	-	153,150	153,150	637,270
- Within 1 to 5 years	-	320,433	320,433	416,664
- Over 5 years	1,559,241	5,679,577	7,238,818	6,454,384
At 31 December	1,559,241	6,153,160	7,712,401	7,693,954

Treasury bonds amounting to Sh 1,344,550,000 (2013 – Sh 1,263,850,000) are held under lien by the Commissioner of Insurance as required by the Kenyan Insurance Act. The weighted average effective interest rate on the government securities was 11.29% (2013 – 11.61%).

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

31 DEPOSITS WITH FINANCIAL INSTITUTIONS

Held to maturity

	Long term business 2014 Sh '000	Short term business 2014 Sh '000	Total 2014 Sh '000	Total 2013 Sh '000
Deposits maturing within 3 months	2,985,854	3,521,390	6,507,244	4,217,002

The weighted average effective interest rate on deposits with financial institutions was 7.33% (2013 – 7.35%).

32 SHARE CAPITAL

	2014 Sh '000	2013 Sh '000
(i) Authorised: share capital 800,000,000 ordinary shares of Sh 2.50 each	2,000,000	2,000,000
	Number of shares	Share capital
		2014 Sh '000
(ii) Issued and fully paid		2013 Sh '000
At 31 December	699,949,068	1,749,873
		1,749,873

33 RESERVES

Revaluation reserve

The revaluation reserve relates to property and equipment. The reserve is non-distributable.

The revaluation surplus represents the surplus on the revaluation of property and equipment, net of deferred tax. Movements in the revaluation reserve are shown in the statement of changes in equity.

Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised.

Translation reserve

The translation reserve relates to cumulative foreign exchange movement on the net investment in PTA Re, an associate company accounted for under the equity method.

Statutory reserve

The statutory reserve represents actuarial surpluses from the long term business whose distribution is subject to 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 the accumulated profits of the long term business.

Retained earnings

The retained earnings balance represents the amounts available for distribution to the shareholders of the Corporation, except for cumulative fair value gains on the Corporation's investment properties amounting to Sh 5,201,315,259 (2013: Sh 4,516,517,259) whose distribution is subject to restrictions imposed by legislation.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

34 LONG TERM REINSURANCE LIABILITIES

The long term reinsurance liabilities, which comprise Ordinary Life Fund and Superannuation Fund, were established in respect of the Corporation's long-term business as required under Section 45 of the Kenyan Insurance Act. Income arising from the investment of the assets of the statutory funds is credited to and forms part of these funds. Transfers from the statutory funds to the profit or loss are done upon the recommendation of the Actuary. The latest actuarial valuation of the life fund was carried out by Alexander Forbes Financial Services (EA) Limited, consulting actuaries as at 31 December 2014 and according to the valuation, the fund had a surplus of Sh 3,681 million (2013 – Sh 3,096 million).

Reconciliation of statutory fund to the actuarial surplus

The actuarial surplus resulting from the actuarial valuation carried out by the Consulting Actuaries as at 31 December 2014 is summarised as follows:

	2014 Sh '000	2013 (restated) Sh '000
Life fund	5,778,742	5,190,205
Less: actuarial value of policy holder liabilities	(2,097,681)	(2,094,357)
Actuarial surplus	3,681,061	3,095,848
Less deferred tax liability (note 19)	(1,104,318)	(928,754)
Statutory reserve	2,576,743	2,167,094

Valuation assumptions

The significant valuation assumptions for the actuarial valuation as at 31 December 2014 are summarised below. The same assumptions were used in 2013.

(i) Actuarial basis and method of valuation

The Corporation underwrites both treaty and mandatory cessions business. Compulsory cessions ordinary life business is written on a risk premium basis. Accordingly, this business can be viewed as a series of one year renewable term assurances reinsured on guaranteed risk premium rates and valued as such. Therefore, the actuarial reserves have been established as a proportion of gross annual premiums written. Each type or class of ordinary life business has been valued as a different percentage of annual office premiums written. The actuary has established actuarial reserves of 95% of the gross annual premiums written for all types of compulsory cessions ordinary life business at the valuation date.

Treaty business and Corporation life business actuarial reserves has been established to 95% of the annual premiums at the valuation date. For supplementary benefits, the actuarial reserve has been established to equal to 100% of annual premiums at the valuation date.

In addition to establishing actuarial reserves for ordinary life business, Corporation life business and supplementary benefits additional actuarial reserves namely AIDS reserve, claims equalisation reserve and contingency reserve have been established

(ii) Investment returns

The rate of return on the life fund assets in 2014 was 9.7% per annum (2013 – 13.4% per annum).

35 SHORT TERM INSURANCE CONTRACT LIABILITIES

	2014 Sh '000	2013 Sh '000
Short term insurance contract liabilities	4,518,138	3,702,715

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

35 SHORT TERM INSURANCE CONTRACT LIABILITIES(Continued)

The claims development for the above insurance liabilities is shown below:

Claims Development

Accident year	2010 Shs'000	2011 Shs'000	2012 Shs'000	2013 Shs'000	2014 Shs'000	Total Shs'000
Estimate of ultimate claims costs:						
At end of accident year	17,998,007	4,859,583	3,583,169	4,245,145	5,343,029	36,028,933
One year later	55,431	203,122	76,092	833,746	-	1,168,391
Two years later	29,271	36,563	212,500	-	-	278,334
Three years later	25,936	95,307	-	-	-	121,243
Four years onwards	87,718	-	-	-	-	87,718
Current estimate of cumulative claims	18,196,363	5,194,575	3,871,761	5,078,891	5,343,029	37,684,619
Less: cumulative payments to date	(17,998,007)	(4,859,583)	(3,583,169)	(4,245,145)	(2,480,577)	(33,166,481)
Total claims reported and claims handling expenses	198,356	334,992	288,592	833,746	2,862,452	4,518,138
Total gross claims liability included in the statement of financial position						4,518,138

36 UNEARNED PREMIUMS

	2014 Sh'000	2013 Sh'000
At 1 January	3,282,685	2,662,244
Increase in the year	728,192	620,441
At 31 December	4,010,877	3,282,685

37 PAYABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

	Long term business 2014 Sh'000	Short term business 2014 Sh'000	Total 2014 Sh'000	Total 2013 Sh'000
Local companies	152,500	130,814	283,314	443,749
International companies	-	168,377	168,377	258,163
	152,500	299,191	451,691	701,912

38 RETIREMENT BENEFIT OBLIGATION

a) Defined benefit scheme

The Corporation operates a funded defined benefit plan for substantially all employees. Scheme members' contributions are a fixed percentage of pensionable pay with the Corporation responsible for the balance of the cost of benefits accruing. The Scheme is established under a trust. The Scheme funds are invested by the Corporation in a variety of asset classes comprising government securities, property and shares. The scheme was closed to new entrants effective 30 September 2011 and was converted to a defined contribution scheme with effect from 1 October 2011.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

38 RETIREMENT BENEFIT OBLIGATION(Continued)

a) Defined benefit scheme(Continued)

	2014 Sh'000	2013 Sh'000
The actuarial valuation results were as follows:		
Present value of funded obligations	(492,234)	(474,539)
Fair value of scheme assets	572,671	483,583
Net asset in the statement of financial position	80,437	9,044
Movement in present value of funded obligation		
As at 1 January	474,539	441,693
Current service costs	4,741	3,767
Interest cost	56,431	55,064
Actuarial (gain)/loss	(16,278)	14,874
Benefits payment	(27,199)	(40,859)
At 31 December	492,234	474,539
Movement in fair value of assets		
As at 1 January	483,583	417,964
Expected return on assets	59,777	54,635
Actuarial gain	14,910	10,243
Employer contributions	41,600	41,600
Benefit payments	(27,199)	(40,859)
At 31 December	572,671	483,583
Movement in net assets		
As at 1 January	9,044	(23,729)
Net expense recognised in profit or loss	(1,395)	(2,679)
Net credit/(charge) recognised in other comprehensive income	31,188	(6,148)
Employer contributions	41,600	41,600
At 31 December	80,437	9,044
Amount recognised in profit or loss:		
Current service cost net of employees' contributions	4,741	2,250
Interest on obligation	(3,346)	429
Total included in "staff costs" in respect of scheme	1,395	2,679
Amount recognised in other comprehensive income:		
Actuarial gains and losses	16,278	(14,874)
Return on plan assets	14,910	8,726
Total credit/(charge) to other comprehensive income	31,188	(6,148)
Actual return on plan assets	74,687	64,878
	2014	2013
Actuarial assumptions		
Discount rate (% p.a.)	13.50%	12.18%
Expected return on Scheme assets (% p.a.)	10%	10%
Future salary increases (% p.a.)	5%	5%
Future pension increases (% p.a.)	3%	3%

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

38 RETIREMENT BENEFIT OBLIGATION (Continued)

a) Defined benefit scheme(Continued)

Historical information	2014	2013	2014	2013
	Sh '000	Sh '000	Sh '000	Sh '000
Fair value of plan assets	572,671	483,583	417,964	328,380
Present value of funded obligations	(492,234)	(474,539)	(441,693)	(418,741)
Net over/(under) funding in the scheme	80,437	9,044	(23,729)	(90,361)
Unrecognised actuarial gain	-	-	-	-
Defined benefit liability	80,437	9,044	(23,729)	(90,361)

b) Defined contribution scheme

The Corporation also makes contributions to a statutory provident fund, the National Social Security Fund (NSSF). Contributions are determined by local statute. For the year ended 31 December 2014, the Corporation contributed Sh 20,776,000 (2013 – Sh 20,398,878) to the defined contribution pension scheme and Sh 1,045,000 (2013 – Sh 239,800) for NSSF which has been charged to the profit or loss.

39 OTHER PAYABLES

	2014	2013
	Sh '000	Sh '000
Purchasers deposits	16,437	5,319
Legal fees deposits	15,462	15,864
Rental deposits	84,407	68,158
Accrued leave pay	24,523	20,863
Taxation arrears	36,683	139,733
Accounts payable	168,842	213,630
Pension liability payable	41,600	-
Other creditors and accruals	17,947	13,837
	405,901	477,404

40 NOTES TO THE STATEMENT OF CASH FLOWS

	2014	2013
	Sh '000	Sh '000
Profit before taxation	3,919,732	3,268,803
Adjustment for:		
Depreciation (note 16)	33,139	23,019
Interest on corporate bonds	(25,658)	(18,425)
Interest on government securities	(866,800)	(843,826)
Amortisation of software (note 17)	1,525	3,407
Gain on disposal of available-for-sale quoted equity instruments	(12,895)	(73,611)
Gain on disposal of government securities	(56,400)	-
Profit on sale of non current asset held for sale	-	3,757
Fair value gain on investment properties (note 15)	(684,798)	(441,588)
Share of profit of associate (note 18)	(275,894)	(257,000)
Operating profit before working capital changes	2,031,951	1,664,536

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

40 NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

Working capital changes:

	2014 Sh'000	2013 Sh'000
Mortgage loans	19,500	(212,917)
Receivables arising out of reinsurance arrangements	(220,005)	(484,454)
Premium and loss reserves	23,269	96,123
Other receivables	6,594	(53,133)
Deferred acquisition costs	(187,433)	(199,661)
Long term reinsurance contract liabilities	3,324	21,325
Short term reinsurance contract liabilities	815,423	652,724
Unearned premiums	728,192	620,441
Payables arising out of reinsurance arrangements	(250,221)	(7,533)
Defined benefit liability	(71,393)	(32,773)
Other payables	(71,503)	58,165
Purchase of Government securities	(1,228,541)	(2,719,420)
Proceeds on maturity of Government securities	783,094	389,950
Proceeds on disposal of government securities	427,000	-
Purchase of quoted equity instruments (note 29)	(306,895)	(158,320)
Proceeds on sale of quoted equity instruments	373,533	367,710
Impairment charge on unquoted equity instruments	-	30,006
Proceeds on redemption of corporate bond	5,925	11,850
Proceeds on disposal of non current asset held for sale	-	15,691
Purchase of corporate bond	(279,288)	-
Purchase of unquoted equity instrument	(107,148)	-
Net cash generated from operations	2,495,378	60,310

41 CASH AND CASH EQUIVALENTS

Deposits with financial institutions maturing within 3 months	6,507,244	4,217,002
Cash and bank balances	224,776	198,831
	6,732,020	4,415,833

42 RELATED PARTIES

The Corporation has various related parties, primarily by virtue of being shareholders and common directorships. The other related parties include the staff of the Corporation. The following transactions were carried out with related parties:

a) Transactions and balances with directors and staff

(i) Directors' remuneration

Fees	6,004	4,476
Other emoluments	12,807	12,315
	18,811	16,791

(ii) Key management remuneration

Salaries and other short term benefits	41,474	55,066
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(iii) Loans to staff

	257,406	245,653
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Interest income on these loans was Sh 10,457,904 (2013 – Sh 10,044,951). The effective interest on the loans is 5 % (2013 – 5%). Staff mortgages and car loans are secured by way of charging the related property to the Corporation.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

42 RELATED PARTIES

	2014 Sh'000	2013 Sh'000
(iv) Loans to directors		
Included in commercial mortgages (note 24)	2,406	3,486

Interest earned on these loans was Sh 146,800 (2013 – Sh 278,730). The effective interest rate on the loans is 5% (2013 - 5%). Loans to directors are secured by mortgages on the property purchased.

(b) Transaction with associate company, ZEP Re

(i) Net premium written	68,190	189,585
(ii) Claims incurred	42,088	58,916

Reinsurance policies taken out by related parties are in the ordinary course of business at terms and conditions similar to those offered to other clients.

(iii) Outstanding balances with related parties in respect of underwriting business:

	2014 Sh'000	2013 Sh'000
Amounts due from related parties	-	79,965
Amounts due to related parties	6,397	27,963

43 CONTINGENT LIABILITIES

(a) The corporation underwent a taxation review by the Kenya Revenue Authority (KRA). The following were the tax amounts due, based on the final assessment report:

	Principal Sh'000	Interest Sh'000	Penalty Sh'000	Total Sh'000
Corporation tax	78,371	58,212	13,538	150,121
VAT	57,444	36,386	-	93,830
Withholding tax	4,266	3,839	426	8,531
PAYE	3,023	2,597	605	6,225
	143,104	101,034	14,569	258,707

Out of the total assessment of Sh 258 million, management made payments of Sh 103 million in the year (2013: Sh 103 million). The remaining amount of Sh 53 million is the subject of ongoing discussions with the KRA to establish KRA's basis for the assessment. A provision of Sh 37 million has been made in these financial statements relating to the outstanding assessment.

(b) The Kenya Revenue Authority made a preliminary assessment relating to withholding tax on commissions (cedant acquisition costs) and brokerage fees as indicated below:

	Principal Sh'000	Interest Sh'000	Penalty Sh'000	Total Sh'000
Withholding tax	687,015	205,934	67,701	960,650

The amount is the subject of ongoing discussions with the KRA to establish KRA's basis for the assessment. Management are of the opinion that this will not be payable and as a result, no provision has been made in these financial statements.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

44 PRIOR YEAR ADJUSTMENTS

The prior year adjustment relates to the recognition of unrecognised deferred tax liabilities on the life fund actuarial surplus in line with the requirements of IAS 12 on Income Taxes.

a) Restatement of Audited Statement of Comprehensive Income for the year ended 31 December 2012

	As previously reported Shs'000	Prior year adjustment Shs'000	Restated Shs'000
Deferred tax on life fund actuarial surplus	-	720,789	720,789

b) Restatement of Audited Statement of Comprehensive Income for the year ended 31 December 2013

	As previously reported Shs'000	Prior year adjustment Shs'000	Restated Shs'000
Deferred tax on life fund actuarial surplus	-	207,965	207,965

c) Restatement of Audited Statement of Financial position

Equity & Liabilities	As previously reported Shs'000	Prior year adjustment Shs'000	Restated Shs'000
As at 1 January 2012			
Defined tax liability	-	(720,789)	(720,789)
Statutory reserve	(2,402,630)	720,789	(1,681,841)
As at 1 January 2013			
Defined tax liability	-	(928,754)	(928,754)
Statutory reserve	(3,095,848)	928,754	(2,167,094)

45 CONSOLIDATION OF SUBSIDIARY

The company incorporated a new subsidiary in Ivory Coast, Kenya Reinsurance Corporation Limited Cote d'Ivoire, on 1 October 2014. The new subsidiary did not transact any business in the current year and all the business carried out in Ivory Coast has been accounted for in Kenya Reinsurance Corporation Limited's books. Effective 1 January 2015, all the Corporation's business in Ivory Coast will be accounted for in the books of the new subsidiary and the subsidiary will be consolidated going forward.

46 INCORPORATION

The Corporation is incorporated and domiciled in Kenya under the Companies Act. The Government of Kenya owns 60% of the Corporation while the public owns 40%.

47 CURRENCY

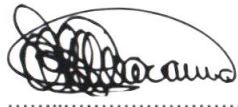
The financial statements are presented in thousands of Kenya shillings (Sh'000).

SHORT TERM BUSINESS REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

Appendix I

	Aviation	Engine- ring	Fire Domestic	Fire Industrial	Liability	Marine	Motor Private	Motor Commer- cial	Personal Accident	Workmen Theft	Compens- ation	Medical	Misc.	Total 2014	2013
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Gross premium	19,613	682,628	4,455	3,551,089	105,304	606,040	39,997	459,616	1,803,292	608,470	1,631	1,709,886	868,128	10,460,149	8,555,292
Unearned premiums b/f	4,061	258,441	1,787	1,110,143	48,340	263,473	6,084	178,877	319,734	252,862	519	579,943	258,421	3,282,685	2,662,244
Unearned premiums c/f	7,845	273,051	1,782	1,280,083	42,122	231,708	15,999	183,846	721,317	243,388	652	683,955	325,129	4,010,877	3,282,685
Movement in unearned premium	(3,784)	(14,610)	5	(169,940)	6,218	31,765	(9,915)	(4,969)	(401,583)	9,474	(133)	(104,012)	(66,708)	(728,192)	(620,442)
Earned premiums	15,829	668,018	4,460	3,381,149	111,522	637,805	30,082	454,647	1,401,709	617,944	1,498	1,605,874	801,420	9,731,957	7,934,850
Less: Retrocession premiums	-	-	-	350,881	-	-	-	-	-	-	-	-	55,304	432,955	348,579
Net earned premiums	15,829	668,018	4,460	3,030,268	111,522	611,035	30,082	454,647	1,401,709	617,944	1,498	1,605,874	746,116	9,299,002	7,586,271
Claims paid	14,165	201,777	351	1,547,717	18,075	215,347	6,460	215,242	1,005,029	282,822	15	1,363,996	267,710	5,138,706	4,152,234
Claims recoverable	-	-	-	(409,052)	-	-	-	-	-	-	-	-	-	(409,052)	(498,482)
Claims reserves															
- beg of year	(7,633)	(186,590)	(785)	(1,380,445)	(44,294)	(226,012)	(11,689)	(366,795)	(412,349)	(243,537)	(3,058)	(629,102)	(190,426)	(3,702,715)	(3,049,990)
- end of year	17,601	281,772	1,533	1,484,416	22,277	374,704	22,982	478,715	632,229	463,545	4,654	611,257	122,454	4,518,139	3,702,715
Net claims incurred	24,133	296,959	1,099	1,242,636	(3,942)	364,039	17,753	327,162	1,224,909	502,830	1,611	1,346,151	199,738	5,545,078	4,306,477
Cedant acquisition costs	3,667	220,857	1,086	975,254	28,479	180,169	292	55,600	396,516	209,526	330	387,694	224,202	2,683,672	2,202,696
Acquisition cost recoveries	-	-	-	-	-	-	-	-	-	-	-	-	(475)	(475)	(309)
Provision for bad debts	92	3,215	21	16,726	496	2,854	188	2,165	8,493	2,866	8	8,054	4,089	49,267	160,904
Management expenses	1,710	59,524	388	309,649	9,182	52,846	3,488	40,078	157,244	53,058	142	149,099	75,699	912,107	813,949
Total expenses	5,469	283,596	1,495	1,301,629	38,157	235,869	3,968	97,843	562,253	265,450	480	544,847	303,515	3,644,571	3,177,240
Underwriting profit/(loss) (13,773)	87,463	1,866	486,003	77,307	11,127	8,361	29,642	(385,453)	(150,336)	(593)	(285,124)	242,863	109,353	102,554	

This short term business revenue account was approved by the Board of Directors on 26th March 2015 and was signed on its behalf by



Principal Officer



Chairman



Director

LONG TERM BUSINESS REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

	Ordinary Kshs '000	Super Annuation Kshs '000	2014 Kshs '000	2013 Kshs '000
Gross earned premiums	107,885	1,002,056	1,109,941	1,089,859
Less: Retrocession premiums	(9,554)	(85,981)	(95,535)	(94,300)
Net earned premium	98,331	916,075	1,014,406	995,559
Net claims incurred	2,711	406,427	409,138	395,368
Change in actuarial liability	(146,631)	149,955	3,324	21,325
Net cedant acquisition costs	50,798	257,767	308,565	264,607
Management expenses	18,055	162,493	180,548	200,819
	(75,067)	976,642	901,575	882,119
Underwriting surplus	173,398	(60,567)	112,831	133,440
Fair value gains	6,995	46,813	53,808	86,242
Investment income	59,249	396,511	455,760	520,711
Increase in life funds	239,642	382,757	622,399	720,393

The long term business revenue account was approved by the board of directors on 26th March 2015 and was signed on its behalf by:



Principal Officer



Chairman



Director

PROXY FORM

Shareholder / Member No.

The Corporation Secretary
 Kenya Reinsurance Corporation Limited
 15th Floor, Reinsurance Plaza Building
 Taifa Road
 P.O. Box 30271-00100
 NAIROBI

I/WE _____ of _____

being a *member/members of KENYA REINSURANCE CORPORATION LIMITED, hereby appoint

_____ of _____

or failing him/her _____ of _____

as *my/our proxy to vote for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held at the Kenyatta Convention Centre, City Hall Way, Nairobi, on Friday, 26th June 2015 at 11.00 a.m., and at any adjournment thereof.

Signature(s)

Signed this _____ day of _____ 2015.

This form is to be used * in favour of/against a resolution up for voting. Unless otherwise instructed, the proxy will vote as he/she thinks fit.

* Strike out whichever is not desired.

Notes:

1. The address should be that shown in the register of members.
2. In the case of a member being a Corporation, this form of proxy must be executed either under its Common Seal or signed on its behalf by an attorney or officer of the Corporation duly authorized.
3. A person appointed to act as a proxy need not be a member of the Company.
4. In case of joint holders, the signature of any one holder will be sufficient but the names of all joint holders should be stated.

Shareholder's Admission Letter for AGM on 26th June 2015

Please complete this form and note that it must be produced at the Annual General Meeting by you or your proxy in order to record attendance. Kindly note that only the registered shareholders or their proxy notified to the Company not less than forty eight (48) hours before the time for holding the meeting will be admitted to the meeting.

Name:

Signature(s):

Annual General Meeting of Kenya Reinsurance Corporation Limited to be held at the Kenyatta Convention Centre, City Hall Way, Nairobi, on Friday, 26th June 2015 at 11.00 a.m.

FOMU YA UWAKILISHI

Nambari ya Mwenyehisa / Mwanachama

Katibu wa Shirika
Kenya Reinsurance Corporation Limited
Orofa ya 15, Jumba la Reinsurance Plaza
Taifa Road
S.L.P 30271-00100
NAIROBI

Mimi/ Sisi

wa

Kama *mwanachama/wanachama wa shirika la KENYA REINSURANCE CORPORATION LIMITED, ninamteua/tunamteua

wa

Au kutomteua

wa

kama mwakilishi/wawakilishi wangu/wetu ili kupiga kura kwa niaba yangu/yetu katika Mkutano Mkuu wa Mwaka wa Kampuni utakaofanyika katika Jumba la Mikutano ya Kimataifa la Kenyatta (KICC), mkabala na barabara ya City Hall Way, Nairobi siku ya Ijumaa, tarehe 26 Juni 2015 kuanzia saa tano asubuhi (5), ama katika siku nyingineyo ile iwapo mkutano utaahirishwa.

Saini

hii imetiwa saini

siku ya

2015.

Fomu hii itumiwe *kwa ajili ya/dhidi ya maamuzi kuhusu upigaji kura. Isipokuwa kwa maagizo tofauti, mwakilishi atapiga kura anavyoona inafaa.

*Ondoa chochote ambacho hakihitajiki.

FAHAMU:

1. Anwani iwe ile iliyoonyeshwa katika sajili ya wanachama.
2. Katika hali ambapo mwanachama ni Shirika, lazima fomu hii ya uwakilishi iandaliwe ama kwa idhini ya muhuri rasmi wa shirika hilo au itiwe saini kwa niaba yake na afisa wa kisheria wa shirika hilo aliyeidhinishwa.
3. Si lazima mwakilishi huyo awe mwanachama wa Kampuni hii.
4. Iwapo watakuwa washirika, saini ya mmojawapo wa mshirika itatosha lakini lazima majina ya washirika wote yaonyeshwe.

Barua ya Kukubalika kwa Mwenyehisa katika Mkutano Mkuu wa Mwaka mnamo tarehe 26 Juni 2015

Tafadhali jaza fomu hii na ufahamu kuwa lazima uionyeshwe wewe binafsi ama mwakilishi wako katika Mkutano Mkuu wa Mwaka ili mahudhurio yako yarekodiwe. Tafadhali fahamu kuwa ni wenyehisa waliosajiliwa pekee au wawakilishi waliojulishwa kwa Kampuni katika muda usiopungua saa arobaini na nane (48) kabla ya muda wa kufanyika mkutano watakubaliwa katika mkutano huo.


Jina:

Saini (s):

Mkutano Mkuu wa Mwaka wa shirika la Kenya Reinsurance Corporation Limited utafanyika katika Jumba la Mikutano ya Kimataifa la Kenyatta, mkabala na barabara ya City Hall Way, Nairobi, Ijumaa, tarehe 26 Juni 2015 saa tano asubuhi (5).



Staff of Kenya Re and participants of the Marine and Technical insurance seminar from the Tanzania insurance market pose after the conclusion of the training that was held between 20th - 22nd August 2014 at Hyatt Regency Hotel in Dar es Salaam, Tanzania.



EXTENDING OUR HORIZONS

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