Kenya Reinsurance Corporation Limited

Annual Report & Accounts 2004

The symbol of Reinsurance service and security worldwide

Kenya Re

Our Corporate Vision

To be a world class reinsurer and market leader in Africa offering quality reinsurance and ancillary services.

Our Corporate Mission

To provide quality reinsurance and insurance services to our clients in Kenya, the rest of Africa, Middle East and Asia.

We strive to:

- Be customer-focused and committed to growth, profitability and satisfactory returns to our shareholders through professionalism and use of modern technology.
- Continue to attract, develop and retain a pool of qualified and experienced staff so as to maintain our competitive edge.
- Be socially responsible and environmentally concious by observing high ethical standards in our business practices.

Our Values

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

- Committment to professionalism;
- Customer satisfaction;
- Quality service;
- Integrity;
- Development of human resource;
- Social responsibility;
- Concern for the environment;

LETTER OF TRANSMITTAL

Hon David Mwiraria
Minister for Finance
The Treasury
P.O. Box 30007
NAIROBI
KENYA

Hon Minister,

I have the honour to submit the Annual Report and Audited Financial Statements of Kenya Reinsurance Corporation Limited for the financial year ended 31st December 2004 which have been certified by the Auditor in accordance with the Insurance Act Cap 487.

Included in the report are revenue accounts per class of business, profit and loss account, balance sheet and cashflow statement as approved by the Board.

Yours Sincerely,

CHARLES. N. KEBUCHI
CHAIRMAN

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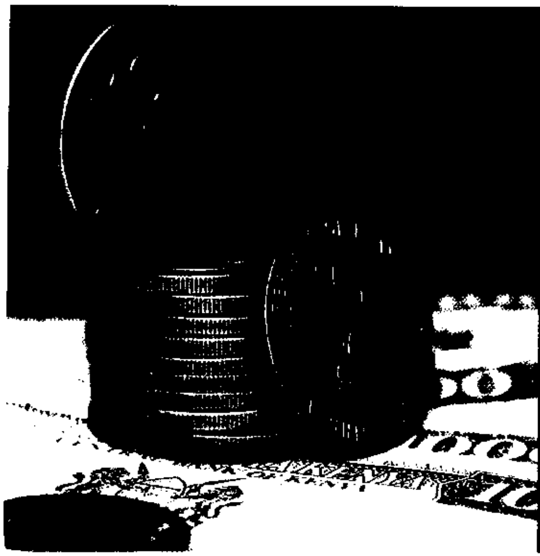


"Our strategy for continued profit growth is to adopt best practices and to realign ourselves alongside international companies that are credited for great performance."

CORPORATE INFORMATION

REGISTERED OFFICE
Reinsurance Plaza
Taifa Road
P. O. Box 30271
00100 NAIROBI GPO
Telephone: 240188
Telex: 220046
Telexfax: 339161

BANKERS
Kenya Commercial Bank Limited
Moi Avenue
P.O. Box 30081
NAIROBI

National Bank of Kenya Limited
Harambee Avenue
P.O. Box 41862
00100 NAIROBI GPO

Bank of Africa Kenya Limited
Reinsurance Plaza
P.O. Box 69562 - 00400
NAIROBI

Lloyds TSB Bank PLC
Fenchurch Street Branch
London
EC3P3EH
UNITED KINGDOM

SOLICITORS
Hamilton Harrison and Mathews
ICEA Building, Kenyatta Avenue
P.O. Box 30333
00100 NAIROBI GPO

Rachier & Company Advocates
Reinsurance Plaza
P.O. Box 55645
00100 Nairobi GPO

CORPORATION SECRETARY
J. F. Otieno (Mrs)
Reinsurance Plaza
P.O. Box 30271
00100 NAIROBI GPO
Telex 220046

AUDITORS
Ernst & Young
Kenya-Re Towers, Upperhill
Off Ragati Road
P.O. Box 44286
00100 NAIROBI GPO
Moi Avenue

CONSULTING ACTUARIES
NBC Kenya Limited
6th Floor, Victoria Towers
Kilimanjaro Avenue, Upperhill
P.O. Box 10472
NAIROBI
00100 NAIROBI GPO

SUBSIDIARIES
Kenya Re Properties Limited
P.O. Box 30271
00100 NAIROBI GPO
NAIROBI

Wedco Limited,
P.O. Box 30271
00100 NAIROBI GPO

Board of Directors

Charles N. Kebuchi
Chairman

Johnson J. Githaka
Managing Director

Charles Ogalo
Director

Dr. Iruki Kailemia
Director

Joseph K. Kinyua
Permanent Secretary
(Treasury)

Nelius Kariuki
Director

Jacob Ali Haji
Director

Esther Koimet
Alt. Permanent Secretary
(Treasury)

William P. Mayaka
Director

Management Team

Managing Director	Johnson J. Githaka
Chief Underwriter	Evans A. Jumba
Financial Controller	John F. Kinyua
Company Secretary	Jane F. Otieno
Manager (International Business)	Erastus Muchiri
Manager (Claims)	Mark O. Okeyo
Manager (Property)	Michael J. Mbeshi
Manager (Local Business)	Samuel C. Mweni
Manager (Admin & HR)	Esther N. Kimanzi
Manager (Internal Audit)	Michael K. Wamathai
Assistant Chief Accountant	John K. Mbugua
Deputy Manager (Investment)	Nyakundi Mogere
Deputy Manager (Property)	Consolata W. Kihara
Deputy Manager (Marketing & Business Dev.)	Jadiah M. Mwarania
Deputy Manager (ICT)	Peter W. Wakwabubi
Assistant Manager (ICT)	Charles O. Abebe
Assistant Manager (ICT)	George K. Njuguna
Assistant Manager (Life & Pension)	Nancy Njakai
Assistant Manager (Finance)	William K. Cheruiyot
Assistant Manager (Corporate Affairs)	Mary Mwendwa
Assistant Manager (Admin & HR)	David Kipchoge
Assistant Manager (Property)	John K. Rika
Assistant Manager(Property)	Simeon K. Rono

Our Business Principles

The board, the management, and staff of Kenya Reinsurance Corporation Ltd, pledge to always respect the corporation's General Business Principles.

RESPONSIBILITY

The aim of Kenya Reinsurance Corporation Ltd (Kenya Re) is to engage itself in an efficient, responsible, dependable and reliable service to the clients. It will endeavor to demonstrate a high standard of performance with unquestionable integrity and honesty.

The most important contribution Kenya Re can make to the social and material progress of the country is to give protection and efficient services to its clients. It recognizes the need to take a constructive interest and participate in the social matters that may relate directly or indirectly to the business it is engaged with e.g. in community education, donation programs, etc.

Main areas of responsibility:

To Share Holder

To protect shareholder's investment and provide an acceptable rate of retum.

To Employees
To provide its employees with good safe working environment, competitive terms and conditions of service; to promote the development of human talent, to encourage the participation of employees in the planning and direction of their respective works, recognizing that success depend on the full contribution of all employees.
To encourage and use available talents and recognize performance achievements and reward on merit.

To Our Cedants & Retrocessionaries
To give full confidence and assure that risk protection is fully guaranteed, to develop and provide efficient service relevant t Cedants and Retrocessionaries.

To Society
To carry out its operations as a responsible corporate member of the society, observing applicable law of the country giving due regard to and participation in safety, health, and environmental standards and social aspirations.

The above four areas of responsibilities are seen as inseparable and it is the duty of the management to continuously assess the priorities and discharge its responsibility as best as it can on the basis of that assessment.

INTEGRITY
Kenya Re insists on honesty and integrity in all aspects of its business operations and expects same from its business partners. All employees are required to avoid conflict of interest between their private financial activities and their part in the conduct of the Corporation's business. The Corporation, for both ethical and legal reasons, adheres to the strict principles of relating to the legality of payments and to the integrity and accuracy of all its records. Staff found indulging in improper practice relating to financial interests, collusion and malpractice are liable to severe disciplinary measures.

Our Business Principles (cont...)

Kenya Re shall always act commercially and operate within existing national laws in a social responsible manner but avoiding participation in any political matters. However, it is its legitimate right and responsibility to speak out publicly on matters that affect the interests of its employees, customers and shareholder, on matters of general interest where there are useful contributions to make.

Where employees in their capacity as citizens wish to engage in activities in the community, including election to public office, Kenya Re will give consideration to each employee's wish to do so where it is appropriate and does not adversely affect the corporation operations and there is no conflict with the stated business principles.

COMPETITION

Business decisions are based essentially on commercial criteria where profitability and strong financial base are the key drivers. Kenya Re does not make payments to political parties, organizations or their representatives.

COMMUNICATION

Kenya Re subscribes to the need for open communications and provides relevant information about its activities to legitimately interested parties subject to any overriding consideration of confidentiality and cost.

Chairman's Statement

Ladies and Gentlemen

I am pleased to present to you our Annual Report and Financial Statements for the year ended 31 December 2004.

Operating Environment

The year under review was marked by mixed signals for those in the insurance industry. While rates continued to show improvement, overall growth in the industry was not at the level anticipated.

The slow growth was attributed to the government not spending sufficiently in the key areas especially in the development of infrastructure so as to spur growth.

Staff

The challenge of increasing productivity and improving operational efficiency through staff rationalization and organisational realignment has received the due attention of the Board.

It is expected that the changes effected and those envisaged will lead to further improvement in performance.

Future

These financial results indicate there still remains a challenge to improve profitability through increased growth of new business especially from the international market which has remained consistently profitable.

To Our clients

Thank you for the support you continued to extend to the Corporation.

To the Board, Management and Staff

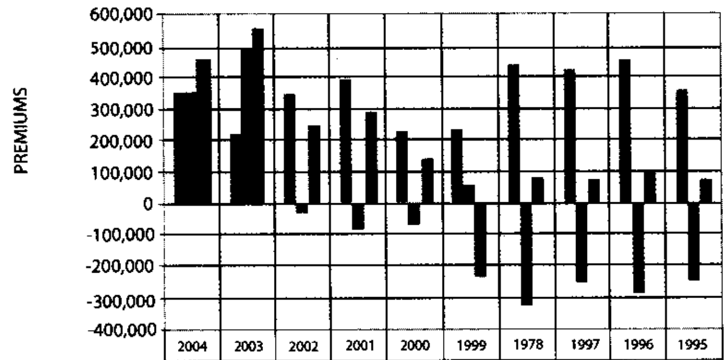
You have exhibited commendable dedication and commitment and I am confident we shall all together succeed in achieving our vision.

Thank you.

Charles N. Kebuchi
Chairman

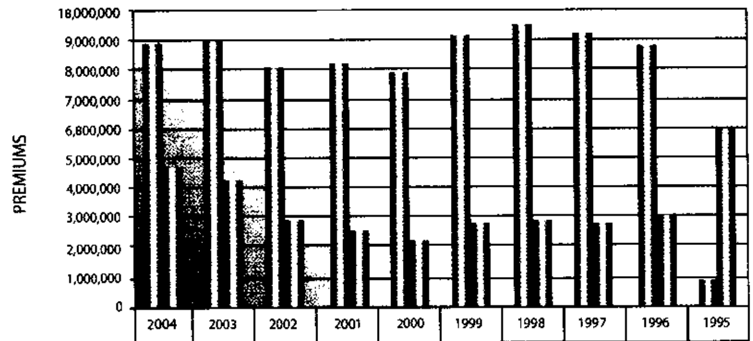
March 2005

FINANCIAL HIGHLIGHTS



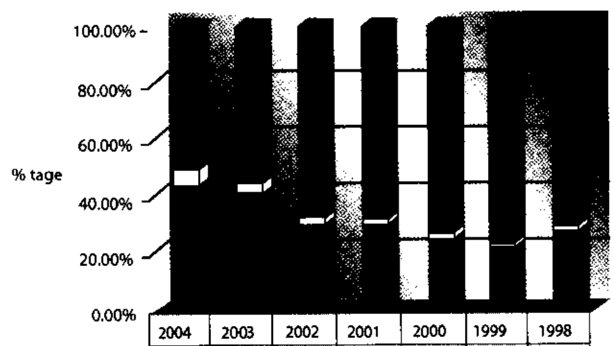
	2004	2003	2002	2001	2000	1999	1978	1997	1996	1995
Invetsment Income Net	347,010	222,019	343,067	392,223	226,715	230,908	440,145	423,989	445,891	357,229
Underwriting Profit/(Loss)	347,010	487,201	-23,696	-80,252	-61,362	67,358	-319,933	-253,332	-282,931	-241,048
Net Profit/(Loss)-AfterTax	452,583	554,458	251,663	289,940	138,573	-224,625	78,341	79,512	105,878	72,606

TEN YEAR REVIEW - TOTAL ASSETS/SHAREHOLDERS' EQUITY



	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Total Assets	8,867,040	8,954,923	8,032,663	8,173,331	7,849,859	9,095,293	9,495,144	9,173,206	8,745,246	5,957,619
Shareholder's Equity	4,639,192	4,201,894	2,831,343	2,468,884	2,159,807	2,783,261	2,818,581	2,703,138	3,011,585	798,964

INVESTMENT MIX - 1998 - 2004

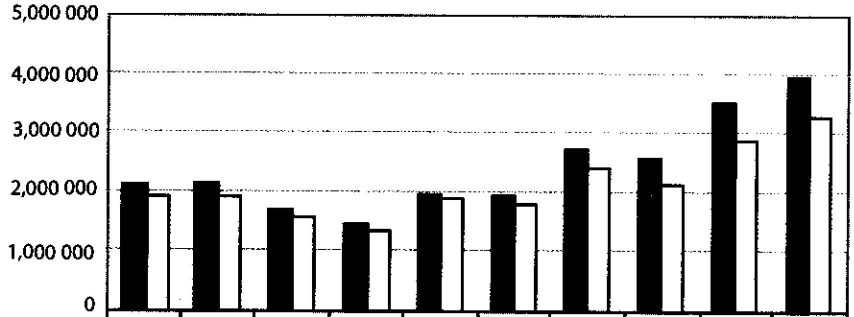


	2004	2003	2002	2001	2000	1999	1998
Rental Properties & Land	50.40%	55.60%	66.30%	67.60%	72.80%	7.6%	6.9%
Fixed Deposits	6.10%	3.30%	2.50%	2.80%	1.90%	1%	2%
Mortgage Loans	4.2%	2.90%	2.50%	3.90%	5.40%	5%	6%
Marketable Securities	19.20%	18.40%	10.70%	8.10%	4.10%	4%	3%
Government Securities	20.10%	19.80%	18.00%	17.60%	15.80%	14%	20%

OPERATING PERFORMANCE

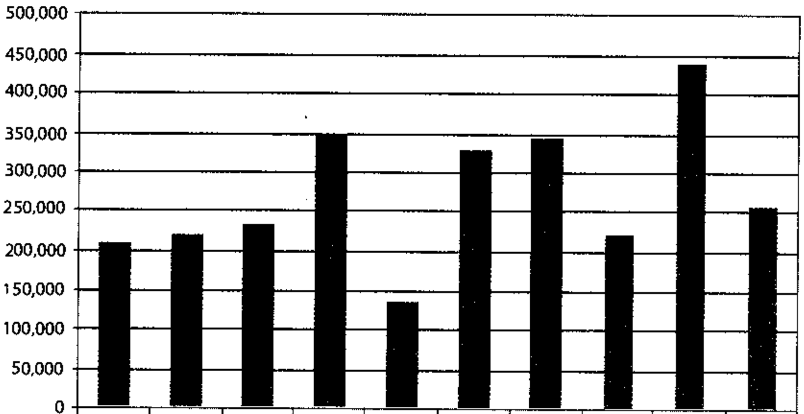
TEN YEAR REVIEW

Gross/Net Premiums Written



	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Gross Premiums Written	2,084,280	2,136,650	1,708,030	1,464,440	1,965,770	1,953,110	2,727,250	2,597,590	3,544,080	3,937,700
Net Premiums	1,870,130	1,912,250	1,587,170	1,350,260	1,909,830	1,806,630	2,421,020	2,154,080	2,900,740	3,263,170

MANAGEMENT EXPENSES



	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Management Expenses	207,137	221,367	234,161	348,179	135,663	328,147	221,137	220,341	439,458	257,951

Best's Rating and Report Updates for KENYA REINSURANCE CORPORATION LIMITED

Best's Company Report for KENYA REINSURANCE CORPORATION LIMITED

Composite Reinsurer
Reinsurance Plaza, Taifa Road, P.O. Box 30271, Nairobi, Kenya
Tel: 254-2-240188
AMB#: 85416
AIIN#: AA-6640515
Fax: 254-2-339161
Report Revision Date: 04/19/2005
BEST'S RATING
Based on our opinion of the company's Financial Strength, it is assigned a Best's Rating of B+ (Very Good). The company's Financial Size Category is Class VII.

RATING RATIONALE
Rating Rationale: The rating of Kenya Reinsurance Corporation Limited (Kenya Re) reflects the company's very good capitalisation and improving operating performance. Offsetting factors are Kenya Re's high concentration of investments in real estate assets and its restricted business environment.

Very good capitalisation — Kenya Re's risk-adjusted capital position is viewed as very good and following a 50% increase in 2003 to KSH 3,931 million, is capable of supporting the company's international growth strategy. Although liquidity is viewed as strong, capital remains exposed to the risk of non-performing assets in the real estate portfolio, which constituted 16.8% of total investments in 2003. The high concentration of real estate assets in the investment portfolio (58% of total invested assets in 2003) is also a negative factor in the rating, given the relatively depressed Kenyan property market. Furthermore, the placement of the majority of the company's reinsurance programme with non-rated reinsurers increases the risk of non-recovery, although the company cedes only 10% of premium underwritten. Improving operating performance — Kenya Re experienced a turnaround in underwriting performance in 2003 and reported a technical profit of KSH 487.2 million, its first since 1999. The loss ratio improved to 22.8% in 2003, from 53.4% in 2002, and was driven by the improved run-off of the discontinued loss making compulsory policy business and increased participation on more profitable international treaties. Prospectively, more stringent Kenyan road safety regulations and the new local Accident Compensation Bill, which places a ceiling on liability awards using a structured scale, are expected to improve absolute profits marginally.

A.M. Best expects Kenya Re to maintain the combined ratio at approximately 90% in 2004 and 2005. Investment income is expected to remain stable with a net investment return of approximately 4.5% in 2004.

Challenging business environment — Kenya Re has an 18% share of the domestic reinsurance market. However, the expected withdrawal of the obligatory cession at the end of 2006 has compelled the company to develop a credible marketing strategy and diversify its revenues. Growth opportunities within Kenya are likely to be restricted given the company's already high domestic market share and the low level of foreign investment in the country. In 2003, approximately 82% of the gross premiums written emanated from within the local Kenyan insurance market, however, international revenues increased by 35% and similar growth is forecast in 2004, before slowing to approximately 10% prospectively. International diversification is viewed by A.M. Best as integral if the company is to continue improving its business position, however the challenge for management is to retain underwriting discipline and avoid poor quality risks while enhancing the profile of the company in the region.

Best's Rating: B+ Outlook: Stable

FIVE YEAR RATING HISTORY

BUSINESS REVIEW

Kenya Reinsurance Corporation Ltd, (Kenya Re) is the Kenyan state owned reinsurer and is located in the country's capital, Nairobi. Kenya Re was formed in late 1970 and began underwriting business on 1 January 1971. The company was established to provide reinsurance capacity to the local market while retaining locally earned premium within Kenya. The company expects to float on the Nairobi Stock Exchange although A.M. Best does not expect this to happen in the short term.

Kenya Re has developed a very good local business position, mainly through compulsory cessions, and currently insures 37 domestic insurance companies. Historically, the company has had a market share of approximately 25% of all gross domestic reinsurance premiums. The system of compulsory policy cessions by domestic insurers and their automatic acceptance by Kenya Re was gradually phased out from 1995 and had completely ceased by 2000. Under current regulations 18% of all treaty business must be offered to Kenya Re, although management has the option to decline undesirable risks. However, Kenya Re is seeking to reduce its reliance on this treaty business through writing larger shares of its cedants' reinsurance treaties in both Kenya and through international expansion in Africa, the Middle East and Asia. The principal markets are Kenya, Uganda, Ethiopia, Tanzania and Saudi Arabia. The business is mainly sourced directly. The international portfolio grew by 36% in 2003 to comprise 18% of the total portfolio (5% in 2000), and A.M. Best expects a further rise to 19% of the total portfolio by year-end 2005. The split of outwards business is not expected to change materially in 2004 or 2005. The company's largest line of business is fire, which accounted for 52% of gross premium written in 2003. The remaining business was split between theft (10%); motor (9%); marine and aviation (6%); engineering (5%); personal accident, workmen's compensation and public liability (4%); with the remaining 8% consisting of miscellaneous business lines. Life accounts for 15% of the total book of business and only includes term life with no annuities or guarantees.

Natural growth through increased insurance market penetration (which remains very low in the region) and increased participation on international treaties is expected to lead to 15% annual growth rate (in the short to medium term). The management's strategy is to grow the non-compulsory business written by Kenya Re through more aggressive marketing and advertising campaigns, conducting seminars with local cedants, offering technical advice and building on established client relationships. A.M. Best believes this may be somewhat hindered by the political and economic instability within the region, which could restrict foreign investment, and intensify price-led competition for relatively few risks.

FINANCIAL PERFORMANCE

Underwriting Income: Underwriting performance is expected to remain very good in 2004 with a projected loss ratio of approximately 45%. Kenya Re's non-life underwriting portfolio experienced a turnaround in 2003 with a loss ratio of 22.8%, compared to a five year average loss ratio of 56.7%. This improvement was driven by the increased participation on international treaties which are more profitable, the settlement of the poorly performing compulsory policy legacy business in 2002 and improved performance of the motor portfolio due to safety regulation changes introduced in Kenya in 2002. Kenya Re's expense ratio improved to 43.0% but remained high due to broker commission rates. Prospectively, the company is seeking to reduce expenses through staff savings but the expense ratio is likely to remain high due to international growth. In 2003, the loss ratios for the three largest non-life portfolios, which together accounted for 73% of the general business account, were fire (15.4%), theft (49%) and motor vehicle (27%).

Prospectively, changes to road safety regulations, which have seen the profile of the motor portfolio return to profitability; the new local Accident Compensation Bill (which puts a ceiling on liability awards using a structured scale), and increased international business are all expected to improve absolute profits marginally in the short to medium term. Another recent development within the local market was the formation of the Joint Risk Evaluation committee, formed by the insurance commissioner (regulator) with participants from each of the major regional insurers and reinsurers. The committee sets minimum rates with penalties for cedants and brokers who do not comply.

The life portfolio is expected to remain profitable in the near future and A.M. Best expects that the company will continue to transfer the balance of revenue-less-expenses to life reserves. These surplus reserves can be considered as 'Free Assets' and therefore part of risk capital.

Investment Income: Net investment return was a good 4.5% in 2003 and is expected to remain stable in 2004. The majority (58%) of Kenya Re's investments are in commercial office and residential property in and around Nairobi. Although the portfolio generated KSH 175 million in rental income in 2003 (representing a 4.2% return), A.M. Best has concerns related to the liquidity of the portfolio given Kenya's weak economic indicators. A.M. Best is also aware of several non-performing assets within the portfolio. The company intends to divest itself of residential property and concentrate mainly on commercial office property from 2005 onwards and this is expected to increase rental income going forward. The bond portfolio accounted for 18 % of the investment portfolio in 2003 and only contained Kenyan government bonds, a proportion of which are long term and provide a higher yield (approximately 8%).

The remainder of the portfolio comprised listed equities (15%) and unlisted equities (2%), cash deposits with various financial institutions (4%) and mortgage loans (2%). In 2003, the listed equities were mainly stock traded on the Nairobi Stock exchange, while the unlisted equities were strategic investments in Africa Re, PTA Re, Industrial Development Bank and Consolidated Bank of Kenya. In 2003, the company increased the overall proportion of equity investment in its portfolio to 15%, from 7% in 2002. The lack of geographic diversification of Kenya Re's investment portfolio limits investment performance and increases volatility. This concentration increases the reliance of Kenya Re on the performance of the still emerging Nairobi Stock Exchange and the stability of the small Kenyan economy.

CAPITALIZATION

According to A.M. Best's risk-adjusted capital model, Kenya Re's prospective capitalisation is excellent. A.M. Best does not anticipate the need for additional funds given the current and prospective levels of risk-adjusted capital, although financial flexibility is regarded as restricted, being solely derived from the company's ownership by the Kenyan government.

The company intends to increase paid up capital two-fold to KSH 2 billion by year-end 2004 through retained earnings and other reserves, and to KSH 3 billion over the next five years.

Kenya Re's underwriting leverage is conservative with ratios of 46% and 86% in 2003 for net written premium to adjusted capital and technical reserves to adjusted capital respectively. Exposure to catastrophic losses is limited by the relatively low natural hazard risk in the region. The company's risk-adjusted capitalisation improved in 2003 following the 50% increase in capital in the same year. Dividend policy is payment of 10% of profits annually and this is expected to be the case going forward. There is no debt carried on the company's balance sheet and absolute capital and surplus levels remain relatively low for an international reinsurer.

Best's Rating and Report Updates for KENYA REINSURANCE CORPORATION LIMITED (CONT...)

Reserve Quality: A.M. Best has concerns regarding the reliability of the data used to establish loss reserves since 2000 due to Kenya's Re's limited application of recognised actuarial methods. An independent actuarial review, conducted during 2003, recommended the adoption of basic methodologies to enable Kenya Re to monitor the run-off development of its loss reserves, rather than assess each claim on a case-by-case basis. Management has not yet indicated whether the proposals will be implemented. Kenya Re currently holds reserves at the higher of the independent actuarial valuation and the amount estimated by Kenya Re on a case-by-case basis.

The actuarial review concluded that loss reserves were adequate and recommended a KSH 400 million release of reserves in the second half of 2003 in respect of the compulsory business, which Kenya Re ceased underwriting in 1999. The release was equivalent to 41% of total outstanding claims for the compulsory business carried at 30 June 2003. The recommendation was based on the assumption that the existing liabilities continue to run-off profitably, and applied the average development factor for the most recent accident years to the remaining reserves. However, A.M. Best believes that this approach may ignore the fact that some extraordinary adjustments by Kenya Re's local clients in recent years may not be repeated, and hence it is possible that the level of redundancies may have been overstated.

In 2003, Kenya Re created an equalisation reserve of KSH 856 million, to act as a buffer for exceptional underwriting losses and smooth future underwriting results. Kenya Re also increased the incurred but not reported (IBNR) levels for all classes of business (except for marine and aviation) from 5% to 7.5% of gross premium income. However, A.M. Best believes this method may understate the level of reserves required for longer-tail classes. The KSH 1.5 billion life fund contained a surplus of KSH 691.7 million at year-end 2003 which is unallocated and could be considered as 'Free Assets' and therefore part of risk capital. The Life Fund includes an AIDS reserve, which is provisioned on the basis of the South African Actuarial Society (ASSA) HIV/AIDS model, adjusted for the fact that Kenya is held to be approximately two years ahead in terms of the peak of the epidemic. The actuarial valuation of the life fund during 2003 recommended a revision to Kenya Re's reserving basis to reflect the unexpired duration of the policy at year-end. Effectively, this requires an additional 50% of gross annual premiums to be held to cover the unexpired period.

LIQUIDITY

Overall Liquidity: In A.M. Best's opinion, Kenya Re's overall liquidity position is adequate, although restricted by the significant real estate portfolio. Liquid assets constituted 23% of the overall investment portfolio at year-end 2003. The short-term liquid needs are met by cash and bank balances of KSH 397 million, short-term deposits of KSH 251.2 million and an overdraft facility of KSH 15 million. Furthermore, the bond portfolio positions are renewed on a monthly basis and as such can be partially liquidated if required.

An independent audit of the company's affairs through December 31, 2003 was conducted by Emst & Young.

Best's Rating and Report Updates for KENYA REINSURANCE CORPORATION LIMITED (CONT...)

Summarized Accounts as of December 31, 2003
Source of Information: Company Annua Reports.
US $ per Local Currency Unit .0132 = 1 Kenyan Shilling (KES)

STATEMENT OF INCOME

	12/31/2003 KES(000)	12/31/2003 USD(000)
General technical account:		
Gross premiums written	1,679,703	22,172
Reinsurance ceded	142,429	1,880
Net premiums written	1,537,274	20,292
Increase/(decrease) in gross unearned premiums	50,448	666
Net premiums earned	1,486,826	19,626
Total underwriting income	1,486,826	19,626
Net claims paid	338,454	4,468
Net claims incurred	338,454	4,468
Management expenses	195,867	2,585
Acquisition expenses	465,305	6,142
Net operating expenses	661,172	8,727
Total underwriting expenses	999,626	13,195
Balance on general technical account	487,200	6,431
Life technical account:		
Gross premiums written	324,492	4,283
Reinsurance ceded	63,234	835
Net premiums written	261,258	3,449
Net premiums earned	261,258	3,449
Net investment income	119,353	1,575
Total revenue	380,611	5,024
Net claims incurred	117,460	1,550
Net increase/(decrease) in long term business provision	170,701	2,253
Management expenses	10,448	138
Acquisition expenses	70,472	930
Net operating expenses	80,920	1,068
Tax attributable to long term business	11,530	152
Total expenses	380,611	5,024
Non-technical account:		
Net investment income	213,893	2,823
Realised capital gains/(losses)	8,126	107
Profit/(loss) before tax	709,219	9,362
Taxation	154,761	2,043
Profit/(loss) after tax	554,458	7,319
Dividend to shareholders	100,000	1,320
Transfer to reserves	-29,120	-384
Retained Profit/(loss) for the financial year	483,578	6,383
Retained Profit/(loss) brought forward	1,496,448	19,753
Retained Profit/(loss) carried forward	1,980,026	26,136

Best's Rating and Report Updates for KENYA REINSURANCE CORPORATION LIMITED (CONT...)

ASSETS

	12/31/2003 KES(000)	12/31/2003 % of total	12/31/2003 USD(000)
Cash & deposits with credit institutions	290,891	3.2	3,840
Bonds & other fixed interest securities	1,496,589	16.7	19,755
Shares & other variable interest instruments	1,244,373	13.9	16,426
Liquid assets	3,031,853	33.9	40,020
Unquoted investments	150,441	1.7	1,986
Mortgages & loans	219,800	2.5	2,901
Real Estate	4,772,706	53.3	63,000
Total investments	8,174,800	91.3	107,907
Insurance/reinsurance debtors	352,319	3.9	4,651
Other debtors	246,872	2.8	3,259
Total debtors	599,191	6.7	7,909
Fixed assets	162,996	1.8	2,152
Prepayments & accrued income	12,947	0.1	171
Other assets	4,988	0.1	66
Total assets	8,954,922	100.0	118,205

LIABILITIES

	12/31/2003 KES(000)	12/31/2003 % of total	12/31/2003 USD(000)
Capital	1,000,000	11.2	13,200
Paid-up capital	1,000,000	11.2	13,200
Non-distributable reserves	93,886	1.0	1,239
Other reserves	856,624	9.6	11,307
Retained earnings	1,980,028	22.1	26,136
Capital & surplus	3,930,538	43.9	51,883
Gross provision for unearned premiums	444,671	5.0	5,870
Gross provision for outstanding claims	2,078,126	23.2	27,431
Gross provision for long term business - life	1,533,817	17.1	20,246
Gross provision for other technical reserves	171,357	1.9	2,262
Total gross technical reserves	4,227,971	47.2	55,809
Insurance/reinsurance creditors	213,339	2.4	2,816
Other creditors	568,643	6.4	7,506
Total creditors	781,982	8.7	10,322
Accruals & deferred income	14,431	0.2	190
Total liabilities & surplus	8,954,922	100.0	118,205

Best's Rating and Report Updates for KENYA REINSURANCE CORPORATION LIMITED (CONT...)

MANAGEMENT

Kenya Re is a state-owned corporation whose management team has wide-ranging experience and knowledge of the Kenyan and African insurance markets. Corporate governance is extensive, using very good management information systems to maintain control over the various office functions.

Kenya Re's Board is chaired by a non executive Chairman and includes a Managing Director and six non-Executive Directors who are independent of direct management functions. The board has delegated the strategy implementation to the Managing Director but remains responsible for the high level financial and operational decisions and monitoring senior management performance. Audit, staff, tender, investment and executive management committees are appointed by the board. All committees meet on a monthly basis and are responsible for making improvement recommendations to the board.

Over the past four years, Kenya Re has undergone a structural cleansing exercise with changes throughout its organisational structure. Staffing levels have been reduced by 50% to a current level of 101 employees at year-end 2003. Staff training, performance based annual reviews and competitive pay was introduced to help retain and develop available human resources. The next stage of the restructuring has involved the integration by year-end 2004 of claims management into the different business units in order to improve the efficiency and timeliness of claims turnaround.

REINSURANCE

Kenya Re purchases an adequate level of outwards reinsurance protection which limits its net exposure for fire, marine (hull and cargo) and accident lines of business on any one risk to less than KSH 400 million. The excess of loss programme provides per event coverage on an each and every loss basis. However, Kenya Re retains 100% of motor and life (death benefits only) risks accepted. The company's retrocession programme includes catastrophe cover up to KSH 1 billion excess KSH 50 million for both international and domestic risks accepted. Although natural hazard risk is considered low in the region, A.M. Best believes that the company's risk management in this area is relatively weak, and that the underwriting portfolio remains exposed to possible loss accumulation. The company does not accept terrorism risks but has some exposure through motor vehicle, fire and life policies written.

Best's Rating and Report Updates for KENYA REINSURANCE CORPORATION LIMITED (CONT...)

BALANCE SHEET ITEMS

	KES (000) 2003	KES (000) 2002	KES (000) 2001	KES (000) 2000	KES (000) 1999
Liquid assets	3,031,853	1,905,820	1,726,314	1,298,509	1,215,552
Total investments	8,174,800	7,140,629	7,166,077	6,783,846	6,855,929
Total assets	8,954,922	8,032,663	8,145,193	7,849,058	8,651,664
Gross technical reserves	4,227,971	3,997,355	4,426,144	4,434,212	4,375,932
Net technical reserves	4,227,971	3,997,355	4,426,144	4,434,212	4,375,932
Total liabilities	5,024,384	5,413,208	5,715,245	5,689,250	6,643,549
Capital & surplus	3,930,538	2,619,455	2,429,948	2,159,808	2,008,115

INCOME STATEMENT ITEMS

	KES (000) 2003	KES (000) 2002	KES (000) 2001	KES (000) 2000	KES (000) 1999
Gross premiums written	2,004,195	1,578,435	1,372,882	...	...
Net premiums written	1,798,532	1,469,798	1,262,444	1,838,409	1,714,169
Balance on technical account(s)	487,200	- 23,696	- 80,252	-61,362	67,358
Profit/(loss) before tax	709,219	319,370	311,971	165,354	298,266
Profit/(loss) after tax	554,458	251,663	298,119	154,259	296,156

LIQUIDITY RATIOS (%)

	2003	2002	2001	2000	1999
Total debtors to total assets	6.7	8.3	8.6	9.2	17.5
Liquid assets to net technical reserves	71.7	47.7	39.0	29.3	27.8
Liquid assets to total liabilities	60.3	35.2	30.2	22.8	18.3
Total investments to total liabilities	162.7	131.9	125.4	119.2	103.2

PROFITABILITY RATIOS (%)

	2003	2002	2001	2000	1999
Loss ratio	22.8	53.4	58.4	76.0	55.0
Operating expense ratio	43.0	47.8	54.8	27.7	48.2
Combined ratio	65.8	101.2	113.2	103.7	103.2
Net investment income ratio	14.4	18.9	13.9	15.1	13.1
Operating ratio	51.4	82.3	99.2	88.6	90.1
Benefits paid to net premiums written (Life)	110.3	117.1	104.4	104.5	127.3
Expense ratio (Life)	31.0	26.6	45.1	16.2	17.7
Return on net premiums	30.8	17.1	23.6	8.4	17.3
Return on total assets	6.5	3.1	3.7	1.9	-8.9
Return on capital & surplus	16.9	10.0	13.0	7.4	-35.0

Managing Director's Report

Business Highlights

The global reinsurance sector is currently characterised by a number of contradictory features. While there has been strong underwriting results which are characteristic of recent years, there were increasing warnings of softening market conditions.

As reinsurer's continue to build up capital, cedant's are increasingly becoming more conscious about their reinsurer's credit quality. Indeed as reinsurer's nurture their relationship with cedants and strive to build and maintain positive images in the market, cedants continue to worry about their reinsurer's willingness to pay claims.

In the local scene, the difficult operating environment, characterized by low economic growth, stiff competition and to an extent, unscrupulous insurance practices, present a threat to reinsurers. Growing the business while maintaining underwriting quality will therefore continue to be a challenge.

The threat posed by a weak underwriting environment requires that underwriting discipline and cost control are deemed paramount to the long term sustainability of business. Therefore the Corporation's endeavours in pursuit of new business initiatives, and it's strategy of controlling operating expenses, without sacrificing standards, resulted in the achievements of the reported results for year 2004 and which we consider to be commendable.

We continue to maintain a strong financial standing with a clear focus on allocating resources to service improvements, in maintaining the Corporation's strong financial standing and improving on market positioning.

The Corporation's strong operating performance is as a result of steady growth of capitalization through retention of earnings, prudent investment policy and strong market presence in Africa, Middle East and Asia.

Concentration of risk reduced in 2004 as reflected by the fact that the 10 largest clients accounted for 38.9% of GPI, compared to 45% in 2003 while the single largest client proportion reduced from 15.2% to 8.7% in 2004.

Life Business

A key threat to underwriting quality continues to be the fact that HIV/AIDS data is often based on estimates and to a large extent, out of date mortality tables.

We will be looking to see how we can partner with the other market players with a view to creating a sufficiently detailed data base that can support business decisions.

Managing Director's Report (cont...)

Retrocession
Reinsurance Capacity

The world wide decline in reinsurance capacity, a phenomenon triggered by the September 11 attacks, has placed upward pressure on premiums in the past few years. In addition, certain large reinsurers withdrew or reduced their exposure to certain sectors. But more recently markets have began to stabilize although rates are not likely to soften in the short term.

The strong recent underwriting results and general reduction of reported reserves for outstanding losses will inevitably result in continued pressures on reinsurance premium rates.

As reinsurance pricing cycle enters the next phase winners and losers will start to emerge.

Companies that have strong balance sheets, high financial ratings and are prepared to let technically under priced business go will be the winners and reinsurers that simply provide underwriting capacity and are top-line focused are likely to end up the losers.

Our strategy for continued profit growth is to adopt best practices and to realign ourselves alongside international companies that are credited for great performance. We intend to grow our top line by investing more behind our brand name, create new markets in addition to exploring new and effective ways of working with our cedants.

Asset Management

The Corporation employs a conservative investment policy, with specific emphasis on liquidity and the security of capital. Assets continues to be managed internally which has enabled us to benefit from skills built in-house. The investment portfolio contributed positively to the Corporation's profitability.

We have maintained a strong liquidity within our investment portfolio with cash and fixed income securities representing 23.3% of total assets and approximately 55% of our cash/liquid assets are foreign currency denominated.

Financial Review

Kenya Re posted a 2% decrease in gross premiums under general business which amounted to Kshs.1,824.3 million and 20% in long-term business which stood at Kshs.260.0 million in year 2004. Income before tax and exceptional write-off increased by Kshs.114.1 million to Kshs.823.3 million in 2004 from Kshs.709.2 million in 2003. The Corporation posted an underwriting profit of Kshs.347.0 million compared to Kshs.487.2 million 2003.

The decrease is as a result of settlement of a number of large claims from the local market namely; Pyrethrum Board, Kenya Seed and Africa Dream Hotels.

Managing Director's Report (cont...)

Total assets decreased by 1% (Kshs 89.5 million) year on year to Kshs.8,867 million in year 2004 as a result of an exceptional write off.

Earned Premiums

There was a decrease in earned premium income which stood at Kshs.2,087 million in 2004. International business however earned premiums recorded a healthy 35% growth to Kshs.518.4 million from Kshs.383.2 million.

Kenya Re continues to build a diverse business portfolio, besides maintaining local direct insurers as the primary clients. The diversification continues to give the Corporation a strong competitive advantage in the reinsurance market.

A breakdown of earned premiums for the year ended 31 December 2004 is as follows:

	2004 Kshs.(000)	2003 Kshs.(000)
Motor	177,809	190,440
Fire	803,364	739,333
Accident	531,089	557,053
Marine	199,465	98,087
Aviation	6,504	15,633
Life	241,305	261,257
Total	**1,959,536**	**1,861,803**

During the year 2004 net earned premiums registered an increase of 4.3% not withstanding lower mainly contributed by release of unearned premiums provided for in prior year.

Combined Ratio

In 2004 the Corporation's incurred losses reflected an increase of 53.8% whereas the net operating expenses, consisting of reinsurance commissions and management expenses decreased by 2.6%.

After peaking at 107% in 2001, Kenya Re's total combined ratio has declined overall within recent year. In year 2004 the combined ratio was 77.9% compared to 67% in year 2003.

In the event that no unusually large claims occur the lower loss ratio is expected to be maintained in future given that a significant portion of the compulsory cessions run-off claims have already been settled.

Managing Director's Report (cont...)

Non Funded General Business

	2004 (Kshs' 000)	2003 (Kshs'000)	2002 (Kshs'000)	2001 (Kshs'000)	2000 (Kshs'000)	1999 (Kshs'000)
Net Premium earned	1,496,059	1,486,826	1,212,649	1,193,734	1,501,597	1,763,987
Net operating expenses	644,596	661,170	599,348	577,130	422,053	830,626
Net Incurred Claims	520,656	338,453	647,998	696,855	1,140,905	970,426
Claims Ratio	34.8	22.8%	53.4%	58.4%	76%	55%
Combined Ratio	77.9%	67%	102%	107%	105%	102%

The combined ratio is the ratio of incurred claims and net operating expenses to the net premiums earned.

Solvency Margin

Kenya Re has continued to maintain a stable solvency margin ratio way above the statutory requirement reflecting a strong financial status that befits a leader in the insurance market.

Underwriting Results

Underwriting profits of Kshs.347.0 million in 2004 are as a result of selective activities, a diversified portfolio and anticipated lower claims from compulsory cession run-offs. Our underwriting profits continue to be significant considering the earning structure of reinsurance and insurance companies.

Operating Income on Investment

The increase in the Corporation's income on investment was mainly attributed to marginal increase in returns on fixed income securities coupled with significant participation in the stock exchange recording Kshs.476.3 million in year 2004 compared to Kshs.222 million in year 2003.

In the light of the improved interest rates, return on fixed-income securities and deposits would continue to be a key driver to our overall profitability.

Net Income

Kenya Re posted a net profit after tax of Kshs.452.5 million in 2004 down from Kshs.554.4 million in 2003. Corporation's earnings per share decreased from Kshs.5.54 to Kshs.3.54. This was due to a one-off event of the write off of some investments under property inventories.

Managing Director's Report (cont...)

Financial Condition

Assets

Kenya Re's total assets stood at Kshs.8,867 million at the end of year 2004 which reflects decrease over the Kshs.8,954 million recorded in the previous year. Total investment assets were Kshs.7,310.6 million compared to Kshs.7,625.4.

The balance of cash and deposits increased to Kshs.598.2 million from Kshs.290.9 million for the previous year, while fair value of quoted equity securities increased marginally to Kshs.1,403 million from Kshs.1,394.8 million. The government securities accounted for 20.9% share of total investment assets.

The Corporation's balance sheet reflects a favorable liquidity position as reflected by the claims cash coverage ratio of eight months in 2004.

The Corporation's focus still remain on high-grade government securities which makes it less vulnerable to both stock market and corporate credit risks.

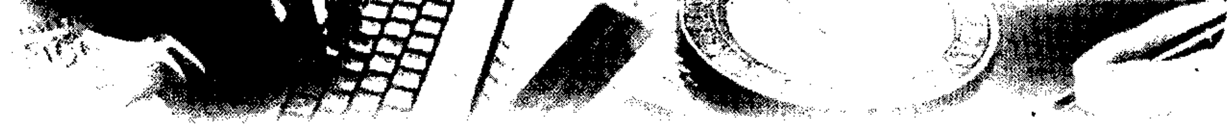
(Kshs in Million)

Investment Assets For the years ended 31 December	2004	2003
Term Deposit	447.9	251.2
Marketable Securities	1,403.0	1,394.8
Government Securities	1,471.2	1,496.6
Mortgages	306.0	276.9
Real Estate	3,682.5	4,205.9
Total	**7,310.6**	**7,625.4**

Liabilities and Shareholder's Equity

Total liabilities were down by 20.2% at Kshs.2,568.8 million as of 31st December 2004 compared Kshs.3,219.2 million in 2003. Insurance technical reserves reduced from the previous years level of Kshs.2,078 million for outstanding claims and Kshs.444.6 million for unearned premium to Kshs.1,739.9 million and Kshs.355.3 million respectively.

Total shareholder's equity at the end of year 2004 amounted to Kshs.4,389.9 million up 8.9% a year earlier. This increase is primarily attributable to a significant rise in the paid up share capital from Kshs.1,000 million in year 2003 to Kshs 1,5000 million in year 2004 together with the movement in retained earnings.



Managing Director's Report (cont...)

(Kshs in million)

For the years ended 31 December	2004	2003
Reserve for outstanding claims	1,739.9	2,078.1
Unearned Premium Reserve	355,.3	444.6
Unpaid payables	473.6	691.8
Total Liabilities	**2,568.8**	**3,219.2**
Total Shareholders Funds	**4,389.9**	**4,030.5**

Social Responsibility

The Corporation's social responsibility program is an integral part of the business planning process guided by the principles of sustainability, community empowerment and capacity building.

Human Resource

At the heart of our continuing success is a team of highly competent and committed people whose motivation is drawn by unrelenting focus on our vision and mission as well as targeted business and personal growth.

The Corporation is committed to providing an environment in which each employee is given the opportunity to fully realize their potential to achieve individual, team and Corporation growth objectives.

The Corporation has put in place a performance management and appraisal system as a basis of identifying and supporting talent within the Corporation. Our training programme, both local and overseas are competency based.

The Corporation has continued to retain motivated and performance focused employees who are always willing to take on stretched performance target in order to increase shareholder value.

Employment Equity

The Corporation is committed to the philosophy that supports equality of all employees. Any form of discrimination in the workplace is strongly discouraged.

Global Rating

An interactive rating exercise was done by A.M. Best who confirmed the Corporation's B+ (very good) rating.

Managing Director's Report (cont...)

This confirmed the validity of the Board and management's conscious decision to underwrite for profit rather than drive for the singular top line growth.
We remain very committed to further improve the rating.

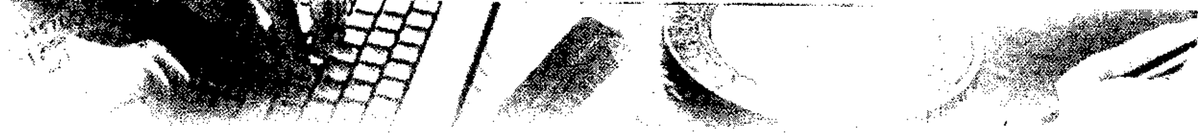
Future Prospects

January renewals confirmed that underwriting discipline is being maintained. Traditional leading reinsurers continue to capitalize on their strong business position to withstand market pressure and enforce underwriting discipline.

The marginal negative trend in premium rates reported in year 2005 renewal season is tangible evidence that the reinsurance pricing cycle remains active.

J.J. GITHAKA

MARCH 2005



Report of the Directors

for the year ended 31 December 2004

The directors submit their report together with the audited financial statements for the year ended 31 December 2004, which shows the state of affairs of the Corporation.

a) The principal activity of the Corporation is the transaction of all classes of reinsurance business and investment activities.

b) Premium written and accounted for per class of business transacted:

	2004 KShs.	2003 KShs.	Premium Increase/ (Decrease)	Growth rate %
Fire	481,702,810	678,299,427	(196,596,617)	(29)
Accident	466,396,160	496,010,745	(29,614,585)	(6)
Motor	120,380,542	179,839,214	(59,458,672)	(33)
International business	532,427,247	383,218,531	149,208,716	39
Life	260,934,487	324,492,067	(63,557,580)	(20)
Marine	215,968,078	71,134,276	144,833,802	204
Aviation	6,504,965	3,656,977	2,847,988	78
TOTAL	2,084,314,289	2,136,651,237	(52,336,948)	(2)

c) Summary of profit for the year:

	2004 KShs.	2003 KShs.
i) Investment income	476,332,391	222,019,402
ii) Underwriting profit	347,010,607	487,201,104
	823,342,998	709,220,506
iii) Inventory write-off	(259,704,327)	-
Profit before tax	563,638,671	709,220,506
Provision for Tax	(111,135,404)	(154,761,528)
Profit after tax	452,503,267	554,458,978

Report of the Directors (cont...)

for the year ended 31 December 2004

d) Corporation's Results

The Corporation's results are set out on page 8.

e) Dividends

The directors propose the payment of dividends of KShs. 150 Million for the year ended 31 December 2004.

f) Reserves

The reserves of the Corporation are set out on page 22.

g) Directors

The directors who held office during the year and to the date of this report were: -

Charles N. Kebuchi	(Chairman)
Johnson J. Githaka	(Managing Director)
J. K. Kinyua	(Permanent Secretary Treasury- Appointed on 26 August 2004)
Catherine Kimura	Alternate to J. K. Kinyua
Nelius Kariuki	
William P. Mayaka	
Charles O. Ogalo	
Jacob Ali Haji	
Dr. Iruki Kailemia	
Joseph Magari	(Permanent Secretary Treasury – Retired on 26 August 2004)

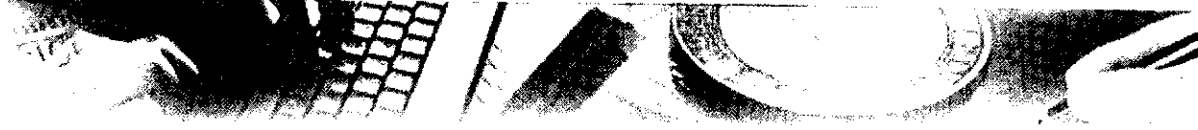
h) Auditors

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

By Order of the Board,

J. F. OTIENO (MRS)
CORPORATION SECRETARY

Kenya Re



Statement of Directors' Responsibilities

for the year ended 31 December 2004

The 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 the Corporation keeps proper accounting records, which disclose with reasonable accuracy the financial position of the Corporation. They are also responsible for safeguarding the assets of the Corporation.

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 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.

Nelius Kariuki
Director

Charles Ogalo
Director

17 March 2004
Date

Corporate Governance

Role of Non-Executive Board Directors

The non-executive members of the Board are not involved in the day to day operations of the company. They are independent of management and free of relationships and other interests which could be perceived to interfere materially with the exercise of judgment in the best interest of the company and are able to bring objective judgment to the assessment of management and the merits of their initiatives. The primary role of non-executives is to make a positive contribution to the leadership of the company as equal Board members, their distinctive role lies in reviewing the performance of the executive and taking the lead where conflicts of interest arise.

The Board met once a month during the year 2004.

Responsibilities of the Board Committees

Audit Committee

The Committee reviews the compliance reports and evaluates the effectiveness of the internal control systems.

In performing its duties, the committee maintains an effective working relationship with the Board of Directors, Management, the Risk and Compliance function and the external auditors.

The Committee assists the Board to fulfill its corporate governance responsibilities and in particular to;

- Improve the quality of financial reporting,
- Strengthen the effectiveness of the risk and compliance function,
- Strengthen the control environment,
- Increase the stakeholders' confidence in the credibility and standing of the company.

Risk Management and Internal Controls

The Board recognizes that managing risks to ensure the optimal mix between risk and return is an integral part of achieving corporate goals. A risk management programme is 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.

The Board is satisfied that the risk management programme is adequate to effectively mitigate the significant risks faced by the Corporation to an acceptable level.

Corporate Governance (cont...)

The directors have also defined procedures and financial controls to ensure that the Corporation's system of internal controls proves reasonable assurance that the assets are safeguarded, transactions are authorized and recorded properly, and that material errors and irregularities are either prevented or detected within a reasonable period of time.

Directors' Conflict of Interest

Directors are required to disclose all conflicts of interest to the Board and are excluded from voting on such areas.

They are all sensitized on the corporate governance issues.

Creating and Maximising Shareholders Value

Creating shareholder value is the key function of the Board, management and staff of Kenya Re.

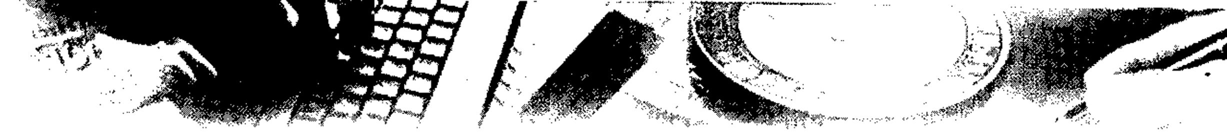
The Corporation recognizes that while protecting longer term interest of shareholders there should also be consideration on an effect this has on other stakeholders such as employees, clients, creditors.

In order to assure the shareholder of the commitment to activities that create and enhance shareholder value, the Board signed a performance contract and continue to perform an annual evaluation exercise to review and audit its role and success or otherwise to meet the challenge committed to at the beginning of each year.

Board Committees

The Committees as at the date of this report were:

Audit Committee	Tender Committee	Staff Committee	Executive Management Committee
COMPOSITION			
- Three non-Executive directors, - Manager (Internal Audit)	- Three non-executive directors - Managing Director - Manager (Internal Audit) - Manager (Property) - Financial Controller - Manager (HR & Admin.) - Chief Underwriter - Corporation Secretary	- Two non-executive directors - Corporation Secretary - Chief Underwriter - Manager (Property) - Financial Controller - Manager (Human Resources & Admin.) - Manager (Internal Audit)	- Managing Director - Managers
FREQUENCY OF MEETINGS PER ANNUM			
Six and as when necessary	As and when necessary	As and when necessary	Monthly
CHAIRMAN			
Nelius Kariuki	Jacob A. Haji	J.F. Kinyua	J.J. Githaka
MEMBERS			
Catherine Kimura Charles Ogalo [redacted]	William Mayaka Catherine Kimura J.J. Githaka J.F. Otieno E. Jumba M. Wamathai M. Mbeshi E. Kimanzi J.F. Kinyua	Charles Ogalo Jacob A. Haji J.F. Otieno E. Jumba M. Wamathai M. Mbeshi E. Kimanzi J.F. Kinyua	(See Page 5)



Actuary's Certificate

for the year ended 31 December 2004

I, Pieter Johannes of NBC Kenya Limited, 6th floor, Victoria Towers, Upper Hill, P.O. Box 10471-0100 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 thr Act do hereby certify as under that as 31 December 2003:

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 the basis of valuation adopted by me is not less than what is 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 value of assets adopted by me are, on the basis of the auditor's certificate appended to the balance sheet, fully of the value so adopted.

Pieter J. Hansen (FIA)
Date: 17/03/2004

ERNST & YOUNG

Report of the Independent Auditors

to the members of Kenya Reinsurance Corporation Limited

We have audited the financial statements on pages 34 to 58 for the year ended 31 December 2004, and have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. The balance sheet of the Corporation is in agreement with its books of account.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE INDEPENDENT AUDITORS

As stated on page 4, the directors are responsible for the preparation of financial statements, which give a true and fair view of the state of the affairs and of the operating results of the Corporation. Our responsibility is to express an independent opinion on the financial statements based on our audit.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform our audit so as to obtain a reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and the significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of the financial affairs of the Corporation at 31 December 2004 and of the profit and cash flows for the year then ended and comply with International Financial Reporting Standards and the Kenyan Companies Act.

Ernst & Young

20 April 2005
Nairobi

Balance Sheet

As at 31 December 2004

	Note	General insurance business KShs.	Long-term insurance business KShs.	2004 KShs.	2003 KShs.
ASSETS:					
NON-CURRENT ASSETS:					
Property and Equipment	2	239,431,567	-	239,431,567	283,007,611
Prepaid Lease	3	12,789,473	-	12,789,473	12,947,368
Intangible assets	4	3,325,476	-	3,325,476	4,988,214
Deferred tax	18	6,068,105	-	6,068,105	-
Government securities	5	481,292,989	989,924,243	1,471,217,232	1,496,589,448
Available for Sale -Financial assets	6	1,403,031,697	-	1,403,031,697	1,394,813,659
Loans secured by mortgages on real property	7	306,022,361	-	306,022,361	276,991,528
Investment properties	8	3,257,927,119	424,543,189	3,682,470,308	4,205,991,473
		5,709,888,787	1,414,467,432	7,124,356,219	7,675,329,301
CURRENT ASSETS					
Cash & bank balances		150,053,391	388,164	150,441,555	39,681,300
Short term deposits		335,473,105	112,378,984	447,852,089	251,210,429
Inventories	9	556,167,623	-	556,167,623	446,703,259
Amounts due from cedants & reinsurers	10	275,625,217	137,187,634	412,812,851	352,318,527
Tax recoverable	21	108,049,998	15,462,478	123,512,476	-
Sundry debtors	11	51,208,165	688,633	51,896,798	189,680,826
		1,476,577,499	266,105,893	1,742,683,392	1,279,594,341
TOTAL ASSETS		7,186,466,286	1,680,573,325	8,867,039,611	8,954,923,642
EQUITY, LIFE FUNDS & LIABILITIES:					
Capital & Reserves: -					
Ordinary share capital	12	1,500,000,000	-	1,500,000,000	1,000,000,000
Revaluation & other reserves	13	933,109,608	-	933,109,608	950,510,368
Retained earnings		1,806,759,885	-	1,806,759,885	1,980,027,664
Proposed dividends	14	150,000,000	-	150,000,000	100,000,000
Shareholders' funds		4,389,869,493	-	4,389,869,493	4,030,538,032
Life Funds	15(a)	-	1,658,356,661	1,658,356,661	1,533,816,990
General funds	15(b)	249,923,782	-	249,923,782	171,356,815
		249,923,782	1,658,356,661	1,908,280,443	1,705,173,805
TOTAL CAPITAL, RESERVES AND LONG TERM FUNDS		4,639,793,275	1,658,356,661	6,298,149,936	5,735,711,837

Kenya Re

Balance Sheet (cont...)

As at 31 December 2004

LIABILITIES:	Note	General insurance business KShs.	Long-term insurance business KShs.	2004 KShs.	2003 KShs.
NON-CURRENTLIABILITIES:					
Underwriting provisions:					
Outstanding claims	16	1,739,982,956		1,739,982,956	2,078,125,933
Uneamed premiums	17	355,270,437		355,270,437	444,670,857
Deferred tax	18	-	-	-	4,555,968
		2,095,253,393	-	2,095,253,393	2,527,352,758
CURRENT LIABILITIES					
Dividends payable	14	-	-	-	120,000,000
Amounts due to Cedants & reinsurers	19	236,772,449	18,946,304	255,718,753	213,339,084
Tax payable	21	-	-	-	135,018,610
Sundry creditors	22	214,647,169	3,270,360	217,917,529	223,501,353
		451,419,618	22,216,664	473,636,282	691,859,047
TOTAL LIABILITIES		2,546,673,011	22,216,664	2,568,889,675	3,219,211,805
TOTAL EQUITY, LIFE FUNDS AND LIABILITIES		7,186,466,286	1,680,573,325	8,867,039,611	8,954,923,642

The financial statements were approved by the Board of Directors on 17 March 2005 and signed on its behalf by: [redacted]

Nelius Kariuki) Director

Charles Ogalo) Director

Profit and Loss Account

for the year ended 31 December 2004

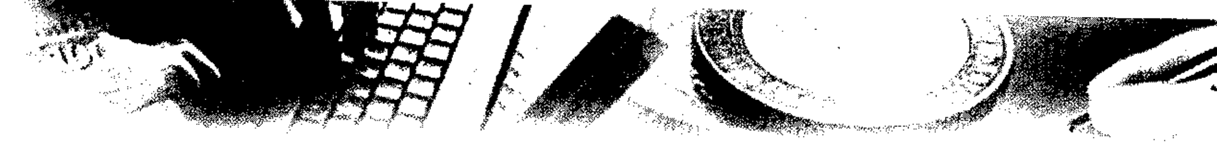
INCOME	Note	2004 KShs.	2003 KShs.
Investment income	23(a)	476,332,391	222,019,402
Profit transferred from the underwriting revenue account (page 11)		347,010,607	487,201,104
Profit before taxation	24	823,342,998	709,220,506
Write off of Inventory	25	(259,704,327)	-
Profit before tax		563,638,671	709,220,506
Taxation	21	(111,135,405)	(154,761,528)
Net profit for the year		452,503,266	554,458,978
Earnings Per Share	26	3.02	5.54

Statement of Changes in Equity

for the year ended 31 December 2004

	Note	Share capital KShs.	Capital & contingency reserves KShs.	Revaluation reserves KShs.	Fair value adjustments KShs.	Retained earnings KShs.	Proposed dividends KShs.	Total KShs.
At 1 January 2003		1,000,000,000	60,405,772	62,601,109	-	1,496,448,386	50,000,000	2,669,455,267
Net profit for the year		-	-	-	-	554,458,978	-	554,458,978
Final dividends 2002					-		(50,000,000)	(50,000,000)
Proposed dividends 2003		-	-	-	-	(100,000,000)	100,000,000	-
Surplus on revaluation of quoted investments	13	-	-	-	856,623,787	-	-	856,623,787
Realisation of revaluation reserves	13	-	-	(29,120,300)	-	29,120,300	-	-
At 31 December 2003		1,000,000,000	60,405,772	33,480,809	856,623,787	1,980,027,664	100,000,000	4,030,538,032
At 1 January 2004		1,000,000,000	60,405,772	33,480,809	856,623,787	1,980,027,664	100,000,000	4,030,538,032
Net profit for the year		-	-	-	-	452,503,266	-	452,503,266
Issuance of new shares	12	500,000,000	-	-	-	(500,000,000)	-	-
Final dividend for 2003	14	-	-	-	-	-	(100,000,000)	(100,000,000)
Proposed dividends 2004		-	-	-	-	(150,000,000)	150,000,000	-
Change in fair value of quoted investments	13	-	-	-	6,828,195	-	-	6,828,195
Realisation of revaluation reserves	13	-	-	(24,228,955)	-	24,228,955	-	-
At 31 December 2004		1,500,000,000	60,405,772	9,251,854	863,451,982	1,806,759,885	150,000,000	4,389,869,493

Kenya Re



Cash Flow Statement

for the year ended 31 December 2004

	2004 KShs.	2003 KShs.
Cash flow from operating activities: -		
Net profit before tax	563,638,671	709,220,506
Adjustment for: -		
Depreciation	48,686,450	55,404,796
Amortisation of lease	157,895	157,895
Amortisation of software	1,662,738	1,662,738
Gain on Foreign exchange	(18,017,093)	(5,488,213)
Gain on sale of shares	(233,154,351)	(101,715,498)
Equipment adjustment	(7,110)	-
Movement in provisions: -		
(Decrease)/ increase in unearned premiums	(89,400,420)	50,446,741
Decrease in outstanding claims	(338,142,977)	-
Movement in funded business:-		
Increase in life fund	141,129,840	182,231,585
Increase in general fund	78,566,967	9,468,293
Operating profit before working capital changes	155,120,610	901,388,843
Decrease in inventories	414,056,801	156,079,334
Increase in amounts due from cedants & reinsurers	(60,494,324)	(52,076,282)
Decrease in sundry debtors	137,784,028	122,280,400
Increase/ (decrease) in amounts due to cedants & reinsurers	42,379,669	(637,220,445)
Decrease in sundry creditors	(5,583,826)	(54,413,663)
Cash generated from operations	683,262,958	436,038,187
Tax paid	(396,880,733)	(140,022,769)
Net cash from operating activities	286,382,225	296,015,418
Cash flows from investing activities-		
Purchase of Equipment	(5,103,296)	(6,151,542)
Purchase of Intangible assets	-	(6,650,952)
Purchase of shares	(20,499,395)	(11,993,186)
Sale of shares	252,263,905	250,069,817
Net purchase of government securities	(106,800,144)	(237,691,409)
Mortgage loans redeemed	(29,030,833)	(67,015,729)
Net cash flow from/ (used in) investing activities	90,830,237	(79,433,001)
Cash flows from financing activities		
Dividends paid on ordinary shares	(220,000,000)	(50,000,000)
Net increase in cash & cash equivalents	157,212,462	166,582,417
Effect of foreign exchange differences	18,017,093	5,488,213
Cash & cash equivalents at the beginning of the year	720,877,840	548,807,210
Cash & cash equivalents at the end of the year (Note 27)	896,107,395	720,877,840

General Insurance Revenue Account

for the year ended 31 December 2004

	Motor Private KShs.	Motor Commercial KShs.	Fire Domestic KShs.	Fire Industrial KShs.	Personal Accident KShs.	Theft KShs.	Miscel-laneous KShs.	Liability KShs.	Engine ering KShs.	Workmen Compe-nsation KShs.	Total 2004 KShs.	Total 2003 KShs.
Gross Premium	2,360,935	151,665,252	549,735	908,188,012	47,450,315	213,882,065	121,295,251	51,820,321	103,293,124	401,748	1,600,906,758	1,679,702,535
Less: Reinsurance	-	-	-	156,637,621	1,887,514	8,507,958	4,824,972	2,061,347	4,108,870	15,981	178,044,263	142,429,332
Net Written Premium	2,360,935	151,665,252	549,735	751,550,391	45,562,801	205,374,107	116,470,279	49,758,974	99,184,254	385,767	1,422,862,495	1,537,273,203
Unearned Premium Brought forward	6,193,052	65,742,634	666,282	179,740,667	20,824,946	72,497,179	58,711,307	4,768,359	35,492,853	33,578	444,670,857	394,224,114
Unearned Premium Carried forward	738,084	47,414,132	78,124	129,065,078	15,692,805	70,735,244	40,114,861	17,138,057	34,161,183	132,866	355,270,434	444,670,857
Net Earned Premium	**7,815,903**	**169,993,754**	**1,137,893**	**802,225,980**	**50,694,942**	**207,136,042**	**135,066,725**	**37,389,276**	**100,515,924**	**286,479**	**1,512,262,918**	**1,486,826,460**
Claims Paid	3,770,246	242,198,688	193,414	319,528,729	28,334,984	127,719,801	72,431,531	30,944,535	61,681,550	239,904	887,043,382	338,453,882
Claims Outstanding at Year End	10,810,891	694,486,076	150,879	249,259,859	69,241,020	312,103,561	176,997,917	75,617,873	150,728,636	586,244	1,739,982,956	2,078,125,933
Claims Outstanding Beginning of Year	26,316,874	817,733,087	1,309,533	296,948,467	146,731,000	97,164,470	82,123,530	517,178,339	90,805,972	1,814,661	2,078,125,933	2,078,125,933
Total Claims Incurred	(11,735,737)	118,951,677	(965,240)	271,840,121	(49,154,996)	342,658,892	167,305,918	(410,615,931)	121,604,214	(988,513)	548,900,405	338,453,882
Commissions	3,576,087	10,027,782	234,738	276,462,469	13,542,119	76,684,981	41,140,218	14,938,051	21,804,840	87,563	458,498,848	465,304,778
Management Expenses	232,794	14,954,540	54,205	89,549,410	4,678,709	21,089,259	11,959,988	5,109,602	10,184,938	39,613	157,853,058	195,866,696
Total Expenses	**(7,926,856)**	**143,933,999**	**(676,297)**	**637,852,000**	**(30,934,168)**	**440,433,132**	**220,406,124**	**(390,568,278)**	**153,593,992**	**(861,337)**	**1,165,252,311**	**999,625,356**
Underwriting Profit/(Loss)	**15,742,759**	**26,059,755**	**1,814,190**	**164,373,980**	**81,629,110**	**(233,297,090)**	**(85,339,399)**	**427,957,554**	**(53,078,068)**	**1,147,816**	**347,010,607**	**487,201,104**

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Life Revenue Account

for the year ended 31 December 2004

	Note	Ordinary KShs.	Super Annuation KShs.	2004 KShs.	2003 KShs.
Gross premium		19,150,557	241,783,930	260,934,487	324,492,067
Reinsurance		(1,440,637)	(18,188,649)	(19,629,286)	(63,234,148)
Net premium		17,709,920	223,595,281	241,305,201	261,257,919
Claims incurred		(6,892,795)	(148,583,129)	(155,475,924)	(117,460,137)
Commission		(1,910,931)	(37,538,498)	(39,449,429)	(70,471,759)
Management expenses		(1,008,922)	(12,738,078)	(13,747,000)	(10,447,742)
		(9,812,648)	(198,859,705)	(208,672,353)	(198,379,638)
Underwriting Surplus		7,897,272	24,735,576	32,632,848	62,878,281
Investment Income	23(b)	33,140,004	75,356,988	108,496,992	119,353,304
		41,037,276	100,092,564	141,129,840	182,231,585
Provision for taxation	21	(9,066,045)	(7,524,124)	(16,590,169)	(11,530,140)
Increase in life funds		31,971,231	92,568,440	124,539,671	170,701,445
Funds at the beginning of the year		468,498,714	1,065,318,276	1,533,816,990	1,363,115,545
Funds at the end of the year		500,469,945	1,157,886,716	1,658,356,661	1,533,816,990

General Insurance - Funded Revenue Account

for the year ended 31 December 2004

	Marine KShs.	Aviation KShs.	2004 KShs.	2003 KShs.
Gross premium	215,968,078	6,504,965	222,473,043	132,456,635
Reinsurance	(16,502,611)	-	(16,502,611)	(18,735,919)
Net premium written	199,465,467	6,504,965	205,970,432	113,720,716
Claims paid	(24,973,072)	(5,383,415)	(30,356,487)	(46,475,518)
Commission	(60,130,978)	(1,378,573)	(61,509,551)	(42,723,196)
Management expenses	(34,354,892)	(1,182,535)	(35,537,427)	(15,053,709)
	(119,458,942)	(7,944,523)	(127,403,465)	(104,252,423)
Increase in funds	80,006,525	(1,439,558)	78,566,967	9,468,293
Funds balance at beginning of the year	133,267,498	38,089,317	171,356,815	161,888,522
Funds balance at end of the year	213,274,023	36,649,759	249,923,782	171,356,815

Notes to the Financial Statements

for the year ended 31 December 2004

1. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the IASB, and International Accounting Standards and Standing Interpretations Committee interpretations approved by the IASC that remain in effect. The financial statements have been prepared on historical cost basis, except for investment properties and available for sale financial assets measured at fair value and held-to-maturity investments measured at amortised cost.

b) Underwriting Results

i) General Insurance Business

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. The underwriting results for general business are determined on an annual basis. The incurred cost of claims, acquisition costs and expenses of management are charged against the earned proportion of premiums, net of reinsurance as follows:

- Earned premiums are net written premium for the period after accounting for unearned premium. Unearned premiums represent the proportion of net premiums written in the year that are attributable to future risks and are determined on the basis of 40% of net premiums written.
- Claims incurred comprise claims paid in the year and changes in the provision for outstanding claims. Claims paid represent all payments made during the year, whether arising from events during that or earlier years. Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the balance sheet 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 year are closed and include provisions for claims incurred but not reported ("IBNR") in respect of Motor, Fire and Accident which is calculated at 5% of gross premiums written less reinsurances.
- Acquisition costs representing commissions (net of commission recoverable) are allocated to the revenue accounts as incurred in each class of business.
- Management expenses are allocated in the ratio of premium written in each class of business.

ii) Long Term Insurance Business

- The full annual premium income is recognised in respect of both individual and group life after making provisions for policy lapses and other terminations on policy anniversary dates.
- Claims arising are recognised on notification.
- Expenses and commission are allocated to the Life Funds as incurred in the management of long term insurance business.

Notes to the Financial Statements (cont...)

for the year ended 31 December 2004

- The Life fund is assessed annually by the Corporation's consulting actuaries. Surpluses arising on the advice of the actuaries are either transferred to the profit and loss or carried forward in the life fund.

iii) Funded accounts - Marine and Aviation

The results for the marine and aviation classes of business have continued to be retained in the respective insurance fund. The funds so created are subject to unsettled claims and unexpired risks and are reassessed annually to ensure that balances are adequate to meet these costs.

c) Computer Software Development Costs

Costs associated with maintaining the computer software programs are recognised as an expense as incurred. However, expenditure that enhances or extends the benefits of computer software beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. Software development costs recognised as assets are amortised using the straight-line method over a period of four years.

d) Inventories

Inventories are valued at the lower of cost and net realisable value. 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.

e) Investment Properties

Investment properties are treated as Long term investments and are stated at Fair value. The Directors have considered current prices of properties in similar locations and condition of the investment property. Changes in their carrying value between Balance Sheet dates are adjusted through the profit and loss account for assets attributable to the General Business, and through the Long-term revenue account for assets attributable to the Long-term business. Previously, changes in carrying value were credited to revaluation reserves in the shareholder's equity. On disposal of an investment property, the difference between the proceeds and the carrying value is charged and credited to the profit and loss account for investment property held by short-term business and to the life fund for investment property held by the Long-term Business.

f) Property and Equipment

Property and equipment are stated at cost less depreciation and any impairment in value. Increases in carrying amounts arising from revaluation are credited to revaluation reserve. Decreases that offset previous increases of the same asset are charged against revaluation reserve and all other decreases are charged to the profit and loss account.

Notes to the Financial Statements (cont...)

for the year ended 31 December 2004

f) Property and Equipment (continued)

Depreciation is calculated on the straight-line basis, at annual rates estimated to write off carrying values of the assets over their estimated useful lives.

The annual depreciation rates in use are: -

Freehold Buildings	2%
Motor vehicles	25%
Computers	25%
Office furniture, fixtures & equipment	12.5%
Household furniture & equipment	25%

Equipment on Investment properties are classified as fixed assets and depreciated accordingly. The carrying value of the equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

g) Prepaid Lease

Leases on assets under which all risks and benefits of ownership are effectively retained by the Lessor are classified as operating leases. Payments made under operating Leases are charged to the profit and loss account on a straight-line basis over the period of their lease.

h) Financial Assets

All purchases and sales of financial assets are recognised on the trade date, which is the date the Corporation commits to purchase or sell the asset. The cost of purchase includes transaction costs. Management subsequently determines the appropriate classification of its financial assets and re-evaluates such designation on a regular basis as follows:

Financial assets with fixed maturity that management has the intent and ability to hold to maturity are classified as held to maturity and are carried at amortised cost. Financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available for sale and are carried at fair value.

Investments are classified and carried at values as follows: -

i) Quoted shares are classified as available-for-sale investments and are carried at fair value. Their fair value is calculated by reference to the stock exchange quoted bid prices at the close of business on the balance sheet date. Changes in fair value of available for sale financial assets are recorded as a separate component of equity. Any impairment is transferred to profit and loss account.

ii) Unquoted investments are classified as available-for-sale investments. They are carried at fair value which is determined on the basis of net assets unless their value cannot be reliably measured, in which case they are carried at amortised cost.

Notes to the Financial Statements (cont...)

for the year ended 31 December 2004

iii) Securities issued by the Kenya Government are classified as Held to Maturity investments. They are carried at amortised cost (i.e. cost plus accrued discount or interest) and any premium or discount is amortised through income, using the effective yield method.

i) Originating Loans and Provisions for Loan impairment

Mortgages originated by the Corporation through provision of houses directly to the borrower are categorised as Originated Loans and are carried at amortised cost. All mortgages are recognised when the house is sold to the borrower.

Specific provision is made against mortgages considered to be doubtful of recovery. The amount of provision is the difference between the carrying amount and the recoverable amount being the present value of expected future cash flows including amounts recoverable from collateral discounted at the effective interest rates of the mortgages.

j) Revenue Recognition

Investment income is stated net of investment expenses and comprises of profit or loss on disposal of trading investments, interest, rents and dividends. Income on investments held by the long term business is taken up in the long term revenue accounts. The revenue recognition criteria is as follows:-

i) Interest Income
Revenue is recognised as the interest accrues (taking into account the effective yield on the asset).

ii) Dividends
Revenue is recognised when the shareholder's right to receive the payment is established.

iii) Rental income
Rental income on investment properties is accounted for on a straight-line basis over the lease term on ongoing leases.

k) Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Notes to the Financial Statements (cont...)

for the year ended 31 December 2004

l) 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 balance sheet date, which are expressed in foreign currencies, are translated into Kenya Shillings at rates ruling at the balance sheet date. The resulting differences from conversion and translation are dealt with in the profit and loss account in the year in which they arise.

m) Bad and Doubtful Debts

Specific provision is made for all known debts. An estimate is made for doubtful receivables based on review of all outstanding amounts at the year-end. Bad debts are written off in the year in which they are identified.

n) Taxation

Current taxation is provided for on the basis of the results for the year as shown in the financial statements, adjusted in accordance with tax legislation. Deferred taxation is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and the unused tax credits can be utilised.

o) Pension Obligations

The Corporation operates a defined benefits pension scheme for all its employees the assets of which are held in trustee administered funds. The retirement plans are funded by payments from both employees and the Corporation.

The Corporation also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by the local statute and are currently limited to Kshs 200 per employee per month.

The Corporation's contributions to the defined benefits pension scheme are charged to the profit and loss account in the period to which they relate.

p) Employee Entitlements

The monetary liability for employees accrued annual leave entitlement at the balance sheet date is recognized as an accrued expense.

q) Dividends

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

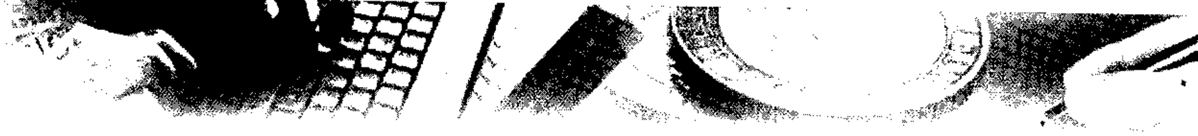
2. PROPERTY AND EQUIPMENT

	Freehold Building KShs.	Motor Vehicles KShs.	Computers KShs.	Furniture & Fixtures KShs.	Equipment KShs.	Total KShs.
Cost or Valuation						
At 1 January 2004	135,748,477	18,929,247	57,733,478	29,351,461	575,336,747	817,099,410
Additions	-	-	2,328,103	2,174,743	600,450	5,103,296
Adjustment	-	-	-	4,459	-	4,459
At 31 December 2004	135,748,477	18,929,247	60,061,581	31,530,663	575,937,197	822,207,165
Cost	191,033,498	14,230,099	67,155,381	24,855,922	252,674,022	549,948,922
Valuation	(55,285,021)	4,699,148	(7,093,800)	6,674,741	323,263,175	272,258,243
At 31 December 2004	135,748,477	18,929,247	60,061,581	31,530,663	575,937,197	822,207,165
Depreciation						
At 1 January 2004	15,736,210	16,198,567	54,508,008	19,525,430	428,123,575	534,091,799
Charge for the year	2,714,966	1,365,340	1,756,185	2,717,351	40,132,608	48,686,450
Adjustment	-	-	-	(2,651)	-	(2,651)
At 31 December 2004	18,451,176	17,563,907	56,264,193	22,240,139	468,256,183	582,775,598
Net Book Value						
At 31 December 2004	117,297,301	1,365,340	3,797,388	9,290,524	107,681,014	239,431,567
At 31 December 2003	120,012,267	2,730,680	3,225,470	9,826,022	147,213,172	283,007,611

The property and equipment other than fixtures and fitting were revalued on 31 December 2000. The revaluation amounts have been incorporated in these financial statements. The valuation was undertaken by independent professional valuers Tysons Ltd. The valuation surplus was credited to relevant reserves.

The bases of valuation were:-

Freehold building	-	Open Market Value
Equipment	-	Open Market Value
Others	-	Depreciated replacements cost.



Notes to the Financial Statements (cont...)

for the year ended 31 December 2004

3. PREPAID LEASE RENTALS

	2004 KShs.	2003 KShs.
Cost		
At 1 January and at 31 December	15,000,000	15,000,000
Accumulated amortisation		
At 1 January	2,052,632	1,894,737
Amortised during the year	157,895	157,895
At 31 December	2,210,527	2,052,632
Net Book Value at 31 December	12,789,473	12,947,368

4. INTANGIBLE ASSETS

	2004 KShs.	2003 KShs.
Cost		
At 1 January	6,650,952	-
Additions	-	6,650,952
At 31 December	6,650,952	6,650,952
Accumulated amortisation		
At 1 January	1,662,738	-
Amortised during the year	1,662,738	1,662,738
At 31 December	3,325,476	1,662,738
Net Book Value at 31 December	3,325,476	4,988,214

5. GOVERNMENT SECURITIES

	2004 KShs.	2003 KShs.
Securities maturing:-		
Within 91 days	297,813,751	429,986,111
After 91 days	102,198,369	162,031,194
After one year to five years	1,071,205,112	904,572,143
	1,471,217,232	1,496,589,448

Treasury bonds amounting to KShs 428,050,000 are held under lien by the commissioner of insurance.

6. AVAILABLE FOR SALE - FINANCIAL ASSETS

	2004 KShs.	2003 KShs.
i) Quoted Ordinary Shares		
At 1 January 2004	1,244,373,071	524,026,793
Fair value gain	209,895,615	856,610,596
Additions	20,499,395	11,993,186
Disposal of shares	(222,176,972)	(148,257,504)
	1,252,591,109	1,244,373,071

All quoted shares are stated at market value

Notes to the Financial Statements (cont...)

for the year ended 31 December 2004

6. AVAILABLE FOR SALE - FINANCIAL ASSETS (Continued)	2004 KShs.	2003 KShs.
ii) Investment in Unquoted Shares.		
These relate to general business and the movement during the year is as follows: -		
At 1 January 2004	150,524,209	150,524,209
Fair value losses	(83,621)	(83,621)
End of Year	150,440,588	150,440,588

The directors are of the opinion that the above shares would, if sold, realise not less than the amounts at which they are stated.

Total available for sale – financial instruments	1,403,031,697	1,394,813,659

7. LOANS SECURED BY MORTGAGES ON REAL PROPERTY

Mortgages Maturing:-		
Within 1 year	23,185,045	43,260,687
In 1-5 years	169,109,921	186,973,589
After 5 years	136,912,440	90,017,893
Gross Mortgages	329,207,406	320,252,169
Staff mortgages	167,488,202	160,615,776
Commercial mortgages	161,719,204	159,636,393
	329,207,406	320,252,169
Less: Maturing within one year (Note 11)	(23,185,045)	(43,260,687)
	306,022,361	276,991,528

8. INVESTMENT PROPERTIES

At 1 January	4,205,991,473	4,205,991,473
Transfer to inventory	(523,521,165)	-
Fair Value Amount	3,682,470,308	4,205,991,473

i) Investment properties comprise office building held to earn rentals and capital appreciation and land acquired for development of office property and housing projects. During the year, the Corporation transferred land valued at KShs. 523,521,165 to inventory in order to appropriately reflect the intended use.

ii) The valuation of investment properties was last carried out by Tysons Ltd professional independent valuers as at 31 December 2000. The basis of valuation was open market value. The fair value losses arising from the revaluation were charged to the profit and loss account.

9. INVENTORIES	2004 KShs.	2003 KShs.
Housing units for sale	292,350,785	446,703,259
Land held for sale	263,816,838	-
Total inventories at lower of cost and net realisable value	556,167,623	446,703,259

Notes to the Financial Statements (cont...)

for the year ended 31 December 2004

10. AMOUNTS DUE FROM CEDANTS & REINSURERS

	2004 KShs.	2003 KShs.
Local companies	226,648,083	293,532,936
International companies	387,843,297	260,464,120
	614,491,380	553,997,056
Less: provision for bad & doubtful debts	(201,678,529)	(201,678,529)
	412,812,851	352,318,527

11. SUNDRY DEBTORS

Rent arrears	(481,438)	10,712,733
Privatisation costs	-	120,000,000
Staff advances	25,934,719	14,911,424
Other debtors	3,258,472	795,982
Mortgage Loans maturing within one year (Note 7)	23,185,045	43,260,687
	51,896,798	189,680,826

12. SHARE CAPITAL

Authorised Share Capital: 200,000,000 (2003: 100,000,000) ordinary shares of KShs.10 each	2,000,000,000	1,000,000,000
Issued and fully paid:150,000,000 (2003: 100,000,000) ordinary shares of KShs.10 each	1,500,000,000	1,000,000,000
Movement in issued share capital	No of shares	No of shares
At 1 January 2004	100,000,000	100,000,000
Issue of Bonus Shares	50,000,000	-
At 31 December 2004	150,000,000	100,000,000

On 25 May 2004, the Board of Directors approved the increase in authorised share capital from KShs. 1 Billion to KShs. 2 Billion divided into 200 million ordinary shares of KShs. 10 each. On the same date, the Board approved the increase in issued and paid up shares by issuance of 50 million bonus shares of KShs 10 each.

Notes to the Financial Statements (cont...)

for the year ended 31 December 2004

13. REVALUATION AND OTHER RESERVES

	2004 KShs.	2003 KShs.
Revaluation reserves	9,251,854	33,480,809
Fair value adjustment on Quoted Investments	863,451,982	856,623,787
Capital reserves	10,784,528	10,784,528
Contingency reserves	49,621,244	49,621,244
	933,109,608	950,510,368

14. DIVIDENDS PAYABLE

	2004 KShs.	2003 KShs.
At 1 January 2004	120,000,000	120,000,000
Paid During the year	(120,000,000)	-
At 31 December 2004	-	120,000,000
Proposed dividends	150,000,000	100,000,000
Dividend Per Share (KShs.)	1.00	1.00

The proposed dividends on the ordinary shares are calculated on dividends of KShs 1.00 (2003: 1.00) and on the number of ordinary shares in issue at the respective balance sheet dates. Payment of the dividends is subject to withholding tax at the rate of 5%.

15. STATUTORY AND GENERAL FUNDS

	2004 KShs.	2003 KShs.
a) i) Statutory funds		
Ordinary life fund	500,469,945	468,498,714
Super Annuation	1,157,886,716	1,065,318,276
At 31 December	1,658,356,661	1,533,816,990

The statutory funds, which comprise Ordinary Life Fund and Super annuation Fund, were established in respect of its long-term business as required under Section 45 of the 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 & loss account are made on the recommendation of the Actuary. The latest actuarial valuation of the life fund was carried out by NBC Kenya Consulting Actuaries as at 31 December 2004 and according to the valuation, the fund had a surplus of KShs 735,440,895. No transfer has been made from Life Fund to the Profit and loss account.

ii) Actuarial liability

Class of business	Sums at Risk KShs.	Annual office Premium KShs.	Actuarial liability KShs.
Ordinary Life Business	3,863,072,162	29,258,520	14,629,260
Group Life Business	83,310,444,998	307,368,440	153,684,220
Treaty Business	6,745,767,041	20,803,769	10,401,885
Supplementary Benefits	5,881,521,295	16,958,207	8,479,104
AIDS Reserve	-	-	425,070,064
Claims Equalisation Reserve	-	-	27,757,747
Contingency Reserve	-	-	282,893,486
	99,800,805,496	374,388,936	922,915,766

iii) Actuarial Valuation

Liabilities	KShs.	Assets	KShs.
Actuarial Liability	922,915,766	Life Fund	1,658,356,661
Surplus	735,440,895		-
	1,658,356,661		1,658,356,661

b) General fund

	2004 KShs.	2003 KShs.
Marine	213,274,023	133,267,498
Aviation	36,649,759	38,089,317
	249,923,782	171,356,815

The fund represents a reserve maintained within the Short term business and does not constitute a statutory fund.

Notes to the Financial Statements (cont...)

for the year ended 31 December 2004

		2004 KShs.	2003 KShs.
16.	**OUTSTANDING CLAIMS**		
	Provision for Outstanding Claims	1,739,982,956	2,078,125,933
17.	**UNEARNED PREMIUMS**		
	Unearned premiums	355,270,437	444,670,857
18.	**DEFERRED TAX**		
	Accelerated capital allowances	(9,834,568)	(8,299,618)
	Leave pay provisions	(4,348,522)	(2,962,648)
	Other temporary differences	8,114,985	15,818,234
		(6,068,105)	4,555,968
19.	**AMOUNTS DUE TO CEDANTS AND REINSURERS**		
	Due to Cedants	229,340,650	184,023,556
	Due to Reinsurers	26,378,103	29,315,528
		255,718,753	213,339,084

20. BANK OVERDRAFT

The Corporation has an overdraft facility with Kenya Commercial Bank of KShs. 17,860,000. The facility is secured by a lien over fixed deposits of KShs. 24 million. The weighted average interest rate during the year was 4.5%.

		2004 KShs.	2003 KShs.
21.	**TAXATION**		
	a) Balance Sheet		
	Balance brought forward	135,018,610	66,738,305
	Charge for the year - General Business	121,759,478	196,772,933
	- Life Business	16,590,169	11,530,141
	Paid during the year	(396,880,733)	(140,022,769)
		(123,512,476)	135,018,610
	b) Profit & Loss Account		
	Current tax at 30% on the taxable profit for the year:-		
	Revenue account	89,766,053	196,976,199
	Under/ (over) provision in prior years	31,993,425	(203,266)
		121,759,478	196,772,933
	Deferred Tax credit	(10,624,073)	(42,011,405)
		111,135,405	154,761,528
	Life account	16,590,169	11,530,141

21. TAXATION (Continued)

c) Reconciliation of Tax Expense

The tax on the general profit before tax differs from the theoretical amount that would arise using the basic tax rates as follows: -

	2004 KShs.	2003 KShs.
Profit before tax	563,638,671	709,220,506
Tax applicable rate of 30%	169,091,601	212,766,152
Tax effects of: -		
Tax effects on items not deducted for tax	(77,114,171)	39,046,176
Originating and reversing temporary differences	(12,835,450)	(96,847,534)
Under/ (Over) provision in prior years	31,993,425	(203,266)
	111,135,405	154,761,528

22. SUNDRY CREDITORS

	2004 KShs.	2003 KShs.
Investment creditors	96,418,623	63,514,804
Accrued leave pay	14,495,074	9,875,492
Other creditors and accruals	107,003,831	150,111,057
	217,917,528	223,501,353

23. INVESTMENT INCOME

a) General Profit & Loss Account

	2004 KShs.	2003 KShs.
Loss on sale of houses	(49,431,469)	(93,589,046)
Rent	200,887,935	175,180,935
Interest	82,872,820	71,765,975
Dividends	47,968,796	39,558,711
Gain on sale of shares	233,154,351	101,715,498
Other Income	48,117,766	24,521,375
Apportioned Management Expenses	(87,237,808)	(97,134,046)
	476,332,391	222,019,402

b) Long Term Insurance Business Investment Income

	2004 KShs.	2003 KShs.
Rent	31,183,514	31,882,907
Interest Income	77,313,478	87,470,397
	108,496,992	119,353,304

Notes to the Financial Statements (cont...)

for the year ended 31 December 2004

24. PROFIT BEFORE TAXATION

		2004 KShs.	2003 KShs.
The profit before tax is stated after charging:-			
Depreciation		48,686,450	55,404,796
Amortisation of lease hold		157,895	157,895
Amortisation of software		1,662,738	1,662,738
Salaries & wages		149,537,937	141,545,388
Pension Costs - Defined Benefits plan		12,787,876	22,786,311
Social Security Costs		237,400	241,000
Auditors' remuneration		2,700,000	2,700,000
Directors' emoluments	- As executive	5,108,730	4,539,000
	- Fees	3,600,000	3,600,000
And after crediting:-			
Interest income		82,872,820	71,765,975
Dividends		47,968,796	39,558,711
Gain on foreign exchange		18,017,093	5,488,213
Gain on sale of equity shares		233,154,351	101,715,498

25. INVENTORY WRITEOFF

This relates to write-off of undeveloped parcels of land (Kiambu Road and Upperhill Mbagathi Way) that are currently under dispute.

26. EARNINGS PER SHARE

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

27. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following Balance sheet amounts:-

	2004 KShs.	2003 KShs.
Cash and bank balances	150,441,555	39,681,300
Treasury bills maturing within 91 days	297,813,751	429,986,111
Short Term Deposits	447,852,089	251,210,429
	896,107,395	720,877,840

28. CONTINGENT LIABILITIES

The Corporation has issued guarantees to various third parties amounting to KShs 997,000 (2003: KShs. 620,000).

29. RELATED PARTY TRANSACTIONS

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

a) Transactions with Directors

i) The executive members of the Board of Directors received remuneration totalling KShs. 5,108,730 (2003 – KShs. 4,539,000). The non –executive members received fees totalling KShs. 1,860,000 (2003 – KShs. 1,860,000).

	2004 KShs.	**2003 KShs.**
ii) Loans to staff	193,452,735	160,615,776

Interest income on these loans was KShs. 9,229,751 (2003- KShs. 7,846,420).

iii) Loans to directors

	2004 KShs.	2003 KShs.
Loans to ex-directors	13,728,365	7,119,360
Loans to existing directors	6,446,090	18,952,350
	20,174,455	26,071,710

Interest earned on these loans was KShs. 1,056,091 (2003 – KShs. 608,116). Loans to staff and directors are secured by mortgage on real property and interest is charged as per the terms of contract.

b) Transaction with related companies

	2004 KShs.	2003 KShs.
i) Net premium written	29,376,742	8,180,254
ii) Claims incurred	16,671,039	1,914,713

General insurance policies taken out by related parties are at arm's length and 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: -

	2004 KShs.	2003 KShs.
Amounts due from related parties	6,972,911	3,862,366
Amounts due to related parties	-	3,506,026

30. SEGMENTAL INFORMATION

Primary segment information

For management purposes the Corporation is organised into two business segments, general insurance and life assurance. The general insurance segment comprises of motor, marine, aviation and accident. The life assurance segment includes individual and group life. These segments are the basis on which the Corporation reports its primary segment information. 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.

31. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial assets include bank balances and cash, deposits, investments, receivables, payables and certain other assets and liabilities. The fair values of the financial assets and liabilities, with the exception of unquoted investments in shares carried at amortized cost are not materially different from their carrying values.

32. RISK MANAGEMENT

Reinsurance risk

In common with other insurance companies, in order to minimize financial exposure arising from large insurance claims, the Corporation, in the normal course of business, enters into arrangements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under excess of loss reinsurance contracts. To minimise its exposure to significant losses from reinsurer insolvencies, the Corporation evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristic of the reinsurers.Retrocession contracts do not relieve the Corporation from its obligations to cedants and as a result the Corporation remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements. The maximum theoretical credit risk exposure in this connection is mainly in Asia.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management believes that there is minimal risk of significant losses due to exchange rates fluctuations.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair value of financial instruments. The Corporation has deposits with banks and investments in Government Securities which are subject to interest rate risk. Interest rate risk to the Corporation is the risk of changes in market interest rates reducing the overall return or increasing the cost of finance to the Corporation. The Corporation limits interest rate risk by monitoring changes in interest rates in the currencies in which its deposits and investments are denominated.

Notes to the Financial Statements (cont...)

for the year ended 31 December 2004

32. RISK MANAGEMENT (Continued)

Market price risk

Market price risk is the risk that the value of financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Corporation is exposed to market risk with respect to its investments.The Corporation limits market risks by maintaining a diversified portfolio and by continuous monitoring of developments in stock markets. In addition, the Corporation actively monitors the key factors that affect stock movements, including analysis of the operational and financial performance of investors. Most of the Corporation's investments are within Kenya.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the Corporation, other than those relating to reinsurance contracts as described in reinsurance risk above, the maximum credit risk exposure to the Corporation is the carrying value as disclosed in the balance sheet. The Corporation seeks to limit its credit risk with respect to customers by setting credit limit for individual customers and monitoring outstanding receivables. Premiums and insurance balances receivable comprise a large number of customers and insurance companies mainly within Kenya as well as Reinsurance companies mainly in Africa, Asia, and Middle East.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its commitments associated with financial liabilities when they fall due. Liquidity requirements are monitored on a weekly basis and management ensures that sufficient funds are available to meet any commitments as they arise. Most contracts with reinsurers and ceding companies normally require quarterly settlements of the balances.

33. COMPARATIVES

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

34. CURRENCY

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

35. EMPLOYEES

The number of employees for the Corporation during the year was 98 (2003: 101)

36. INCORPORATION

The Corporation is incorporated in Kenya under the Companies Act.

TREATY AND FACULTATIVE PREMIUM INCOME FOR THE YEAR 2004

DETAILS	FIRE	ACCIDENT	MARINE	AVIATION	MOTOR	LIFE	TOTAL
	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS
Facultative	76,458,857	65,028,362	41,082,755	-	3,044,403	3,970,971	189,585,348
Local Inward Treaties	465,238,462	430,428,923	91,312,190	1,551,032	117,336,139	253,839,131	1,363,676,849
Direct Ins/ Mortgages	1,455,540	725,870	-	-	-	3,124,384	5,305,794
International Inward Treaties	365,584,887	41,959,669	83,573,133	4,953,933	33,645,645	-	532,427,247
Total	**908,737,746**	**538,142,824**	**215,968,078**	**6,504,965**	**154,026,187**	**260,934,487**	**2,084,314,289**

TREATY AND FACULTATIVE PREMIUM INCOME FOR THE YEAR 2003

DETAILS	FIRE	ACCIDENT	MARINE	AVIATION	MOTOR	LIFE	TOTAL
	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS
Facultative	35,447,591	25,865,109	3,560,858	-	-	-	64,873,558
Local Inward Treaties	641,524,228	469,512,348	67,573,473	3,656,977	179,839,214	321,546,526	1,683,652,766
Direct Ins/ Mortgages	1,327,298	633,543	-	-	-	2,945,541	4,906,382
International Inward Treaties	224,204,110	81,356,924	45,689,292	11,976,090	19,992,426	5,575,277	383,218,531
Total	**902,503,227**	**577,367,613**	**116,823,623**	**15,633,067**	**199,831,640**	**324,492,067**	**2,136,651,237**

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TREATY AND FALCULTATIVE PREMIUM INCOME FOR THE YEAR 2002

DETAILS	FIRE	ACCIDENT	MARINE	AVIATION	MOTOR	LIFE	TOTAL
	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS
Facultative	32,592,926	15,672,196	-	-	-	-	48,262,122
Local Inward Treaties	425,167,239	466,385,405	85,532,107	3,821,672	156,359,219	236,052,654	1,373,318,296
Direct Ins/ Mortgages	1,236,969	-	-	-	-	2,875,543	4,112,512
International Inward Treaties	203,657,590	21,698,581	28,542,949	9,359,100	19,078,876	-	282,337,096
Total	**662,654,724**	**503,756,182**	**114,075,056**	**13,180,772**	**175,438,005**	**238,928,197**	**1,708,030,026**

TREATY AND FALCULTATIVE PREMIUM INCOME FOR THE YEAR 2001

DETAILS	FIRE	ACCIDENT	MARINE	AVIATION	MOTOR	LIFE	TOTAL
	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS
Facultative	17,977,459	12,241,795	2,387,155	-	-	-	32,606,409
Local Inward Treaties	351,348,796	452,473,314	65,315,074	4,206,564	145,286,309	249,358,079	1,262,492,794
Direct Ins/ Mortgages	1,719,707	613,601	-	-	126,223	1,734,065	4,193,596
International Inward Treaties	115,855,603	16,664,447	17,407,712	6,781,132	9,045,389	-	165,154,283
Total	**486,901,565**	**481,993,157**	**85,109,941**	**10,987,698**	**154,457,921**	**251,092,144**	**1,464,447,002**

TREATY AND FALCULTATIVE PREMIUM INCOME FOR THE YEAR 2000

DETAILS	FIRE	ACCIDENT	MARINE	AVIATION	MOTOR	LIFE	TOTAL
	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS
Facultative	1,266,623	(23,344)	-	-		-	1,243,279
Local Inward Treaties	307,698,748	254,130,423	56,934,817	-	79,902,170	222,760,180	921,426,338
Direct Ins/ Mortgages	583,417	384,180	-	-	(18,092)	4,879,556	5,829,061
International Inward Treaties	125,427,646	65,577,444	22,666,500	3,570,858	60,890,320	-	278,132,768
Total	**434,976,434**	**320,068,703**	**79,601,317**	**3,570,858**	**140,774,398**	**227,639,736**	**1,206,631,446**

TREATY AND FACULTATIVE PREMIUM INCOME FOR THE YEAR 1999

DETAILS	FIRE	ACCIDENT	MARINE	AVIATION	MOTOR	LIFE	TOTAL
	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS
Facultative	20,783,482	18,977,675	4,883,053	-	-	-	44,644,210
Local Inward Treaties	379,352,216	415,658,918	58,471,518	35,916	145,973,854	214,685,193	1,214,150,615
Direct Ins/ Mortgages	1,522,029	497,322	-	-	50,619	2,516,831	4,586,801
International Inward Treaties	209,235,180	19,736,193	11,053,278	-	4,426,831	-	244,451,482
Total	**610,865,907**	**454,870,108**	**74,407,849**	**35,916**	**150,451,304**	**217,202,024**	**1,507,833,108**

TREATY AND FACULTATIVE PREMIUM INCOME FOR THE YEAR 1998

DETAILS	FIRE	ACCIDENT	MARINE	AVIATION	MOTOR	LIFE	TOTAL
	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS
Facultative	6,338,967	5,167,199	4,321,990	38,096,370	-	-	53,924,526
Local Inward Treaties	365,467,176	339,436,893	115,296,148	-	81,260,730	205,052,811	1,106,513,758
Direct Ins/ Mortgages	1,991,225	604,579	-	-	2,803,237	4,519,754	9,918,794
International Inward Treaties	71,855,634	17,327,636	22,150,564	4,059,119	18,575,721	-	133,968,673
Total	445,653,002	362,536,307	141,768,702	42,155,489	102,639,688	209,572,565	1,304,325,752

TREATY AND FACULTATIVE PREMIUM INCOME FOR THE YEAR 1997

DETAILS	FIRE	ACCIDENT	MARINE	AVIATION	MOTOR	LIFE	TOTAL
	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS
Facultative	2,270,551	4,080,114	288,750	-	-	-	6,639,415
Local Inward Treaties	339,083,926	222,757,743	56,184,520	-	95,382,656	127,402,034	840,810,879
Direct Ins/ Mortgages	1,597,409	687,797	-	-	2,437,199	3,427,250	8,149,655
International Inward Treaties	31,941,422	7,873,036	11,323,403	2,805,386	1,233,800	-	55,177,047
Total	374,893,308	235,398,690	67,796,673	2,805,386	99,053,655	130,829,284	910,776,996

Kenya Re

TREATY AND FACULTATIVE PREMIUM INCOME FOR THE YEAR 1996

DETAILS	FIRE	ACCIDENT	MARINE	AVIATION	MOTOR	LIFE	TOTAL
	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS
Facultative	24,619,911	2,525,274	2,496,386	11,234,191	-		40,875,761
Local Inward Treaties	330,350,863	202,064,033	72,827,746	-	89,384,794	192,998,517	887,625,953
Direct Ins/ Mortgages	1,345,014	427,247	-	-	1,512,956	2,474,860	5,760,077
International Inward Treaties	26,915,819	8,083,000	10,071,652	4,517,363	1,207,814	-	50,795,648
Total	383,231,607	213,099,554	85,395,784	15,751,554	92,105,564	195,473,377	985,057,440

Kenya Re

TREATY AND FACULTATIVE PREMIUM INCOME FOR THE YEAR 1995

DETAILS	FIRE	ACCIDENT	MARINE	AVIATION	MOTOR	FIRE	TOTAL
	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS
Facultative	23,975,027	1,272,824	1,375,319	984,768	-	-	27,547,938
Local Inward Treaties	353,337,521	140,551,595	100,417,328	-	68,607,218	177,440,759	840,354,421
Direct Ins/ Mortgages	3,048,689	452,826	-	-	1,246,700	353,360	5,101,575
International Inw[illegible]	21,487,501	6,559,309	11,432,114	4,016,328	653,901	-	44,149,153
Total	401,848,738	148,836,554	113,164,761	5,001,096	70,507,819	717,794,119	917,153,087