

ANNUAL REPORT & FINANCIAL STATEMENTS

2011



KENYA RE
STRENGTH & WISDOM BEYOND BORDERS

African Wisdom...

None is richer than the one who has peace of mind | Kenyan Proverb |

Global Strength

For more than forty years, Kenya Re has relied on the wisdom of its African roots to provide the strength that reinsures insurance companies across the globe.

Today, our new future begins with a pledge of our promise to continue growing our knowledge and our expertise so that we can get even better at making the world a more secure place. By reinsuring insurance companies across the globe.



KENYA RE
STRENGTH & WISDOM BEYOND BORDERS

OUR CORPORATE VISION

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

OUR CORPORATE MISSION

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

OUR VALUES

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

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

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CORPORATE INFORMATION

DIRECTORS

Nelius Kariuki	-	Chairman
Jadiah Mwarania	-	Managing Director
Joseph Kinyua	-	Permanent Secretary, Treasury
Mutua Kilaka	-	Alternate to Joseph Kinyua
Jacob Haji Ali		
Dr. Iruki Kailemia		
Everest Lenjo		
Mutwiri Ikiao		
Gladys Mboya		
Nelson Kuria		
Felix Okatch		

SECRETARY

Habil A. Waswani
Registration No. R/CPS B/1650
Certified Public Secretary (Kenya)
Reinsurance Plaza, Taifa Road
P O Box 30271 - 00100
Nairobi

REGISTERED OFFICE

15th Floor
Reinsurance Plaza
Taifa Road
P O Box 30271 - 00100
Nairobi

AUDITORS

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

CONSULTING ACTUARIES

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

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

ADVOCATES

Mwaura & Wachira Advocates

Furaha Apartments, No. 3
Argwings Kodhek Road
P O Box 51667 – 00200 City Square
Nairobi, Kenya

Rachier & Amollo Advocates

Mayfair Centre, 5th Floor
Ralph Bunche Road
P O Box 55645 – 00200 City Square
Nairobi, Kenya

Macharia-Mwangi & Njeru Advocates

Post Bank House, 11th Floor
Banda Street
P O Box 10627 – 00100 GPO
Nairobi, Kenya

Otieno Ragot & Company Advocates

Post Bank House, 15th Floor
P O Box 1883 – 40100
Nairobi, Kenya

Igeria & Ngugi Advocates

Hughes Building
5th Floor, Kenyatta Avenue
P O Box 60635 – 00200 City Square
Nairobi, Kenya

Mwaniki Gachoka & Company Advocates

Design Centre, 3rd Floor, Office Suite No. 3A
Tausi/Mogotio Road, Off Muthithi Road
P O Box 13439 – 00800 Westlands
Nairobi, Kenya

CORPORATE INFORMATION

ADVOCATES

Waweru Gatonye & Company Advocates

Timau Plaza, 4th Floor
Argwings Kodhek/Timau Road Junction
P O Box 55207 – 00200 City Square
Nairobi, Kenya

K. Mwaura & Company Advocates

Ojijo Plaza, B2
Ojijo Road, Parklands
P O Box 50515 – 00200 City Square
Nairobi, Kenya

M. A. Otega & Company Advocates

Anniversary Towers
Mezzanine 2, South Tower
University Way
P O Box 46630 – 00100 GPO
Nairobi, Kenya

Mose, Mose Milimo & Company Advocates

Comcraft House, 3rd Floor
Haile Selassie Avenue
P O Box 9403 – 00200 City Square
Nairobi, Kenya

Adipo & Company Advocates

Kencom House, 1st Floor
P O Box 2887 – 00100 GPO
Nairobi, Kenya

Okwach & Company Advocates

Reinsurance Plaza, 12th Floor
P O Box 52831 - 00200 City Square
Nairobi, Kenya

BANKERS

Kenya Commercial Bank Limited

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

Bank of Africa Kenya Limited

Reinsurance Plaza, Taifa Road
P O Box 69562 - 00400
Nairobi, Kenya

Lloyds TSB Bank PLC

Fenchurch Street Branch
72 Fenchurch Street
London
EC3 3EH, United Kingdom

National Bank of Kenya Limited

Harambee Avenue
P O Box 41862 - 00100 GPO
Nairobi, Kenya

Citibank N.A

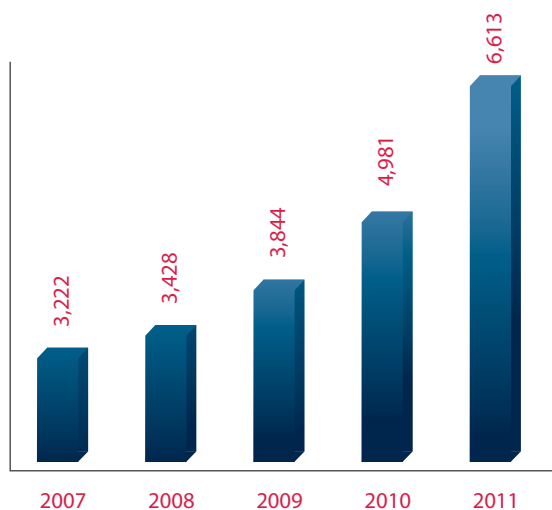
Citibank House, Upper Hill
P O Box 30711 - 00100
Nairobi, Kenya

Commercial Bank of Africa Ltd

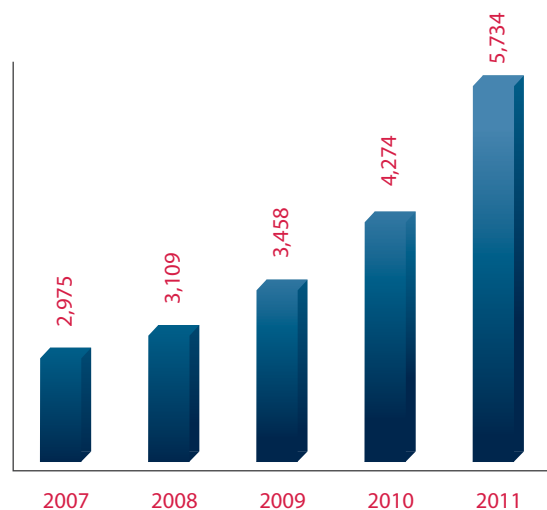
Mara & Ragati Roads, Upper hill
P O Box 30437 - 00100
Nairobi, Kenya

FIVE YEAR PERFORMANCE ANALYSIS

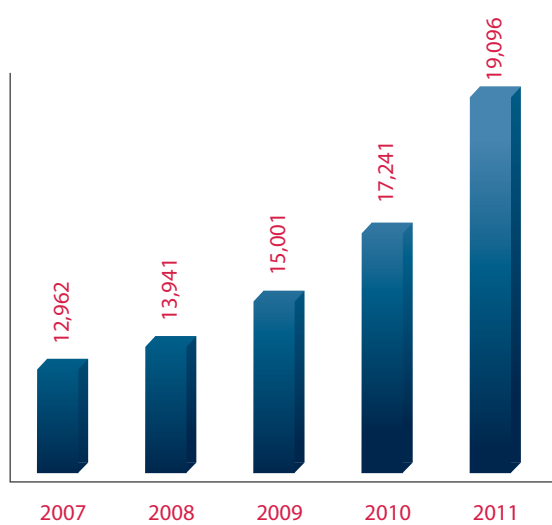
GROSS PREMIUM WRITTEN (Shs Millions)



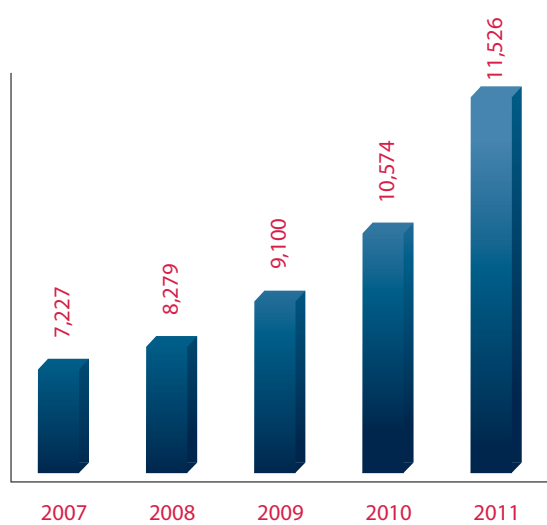
NET PREMIUMS WRITTEN (Shs Millions)



TOTAL ASSETS (Shs Millions)

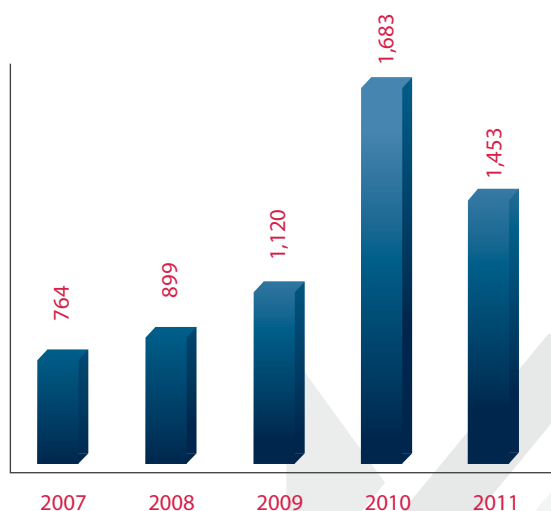


SHAREHOLDER'S FUNDS (Shs Millions)

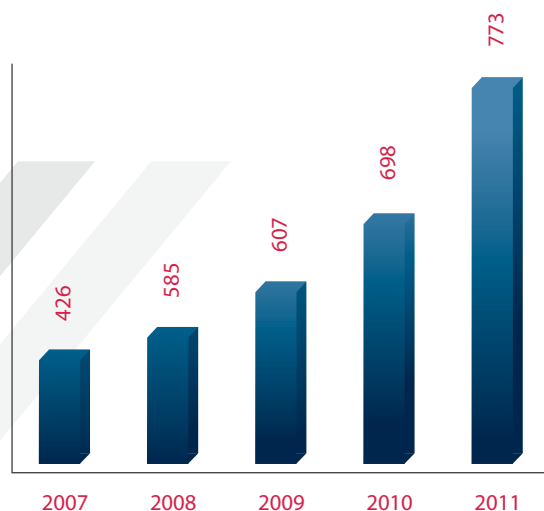


FIVE YEAR PERFORMANCE ANALYSIS

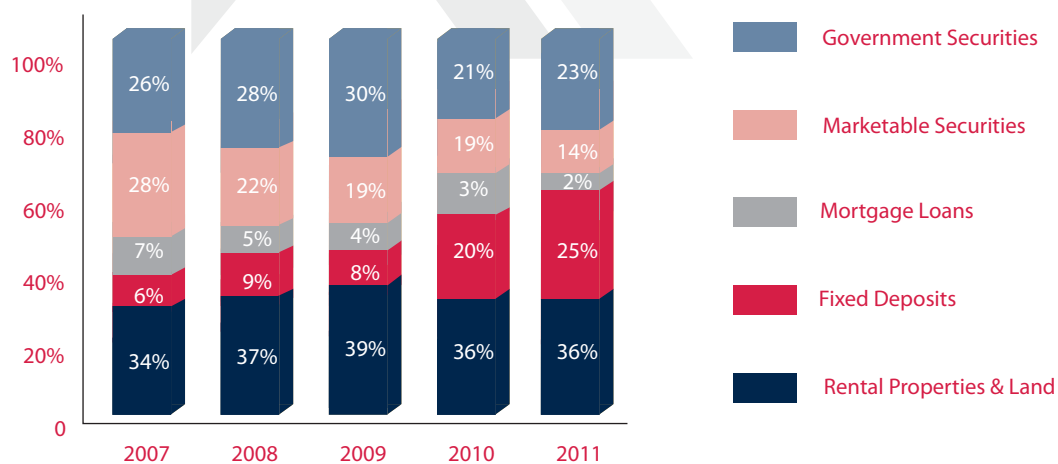
INVESTMENT INCOME (Shs Millions)



MANAGEMENT EXPENSES (Shs Millions)



INVESTMENT MIX (%)



NOTICE OF THE 14TH ANNUAL GENERAL MEETING

Notice is hereby given that the 14th ANNUAL GENERAL MEETING OF KENYA REINSURANCE CORPORATION LIMITED will be held at the Bomas of Kenya, off Langata Road, Nairobi, on Friday, 8th June 2012 at 11.00 a.m. when the following business will be transacted, namely:

AGENDA

1. Constitution of the Meeting - To read the notice convening the Meeting and determine if a quorum is present.
2. To receive, consider and, if approved, adopt the Corporation's audited Financial Statements for the year ended 31st December 2011 together with the Chairman's, Directors' and Auditors' Reports thereon.
3. To approve payment of a first and final dividend of KShs0.35 per share, subject to withholding tax where applicable, for the financial year ended 31st December 2011 to the shareholders registered in our books as at 8th June 2012 on or about 13th July 2012, as recommended by the Board, and approve the closure of the Register of Members on 11th June 2012.
4. Election of Directors:
 - a) In accordance with Articles 110 of the Corporation's Articles of Association, Mr. Mutwiri Ikiao retires by rotation as a Director and, being eligible, offers himself for re-election.
 - b) In accordance with Articles 110 of the Corporation's Articles of Association, Mrs. Gladys M. Mboya retires by rotation as a Director and, being eligible, offers herself for re-election.
 - c) In accordance with Articles 110 of the Corporation's Articles of Association, Mr. Nelson C. Kuria retires by rotation as a Director and will not be offering himself for re-election.
5. To note the Directors' remuneration for the period ended 31st December 2011.
6. Auditors
To note that the audit of the Corporation's books of accounts will continue to be undertaken by the Controller and Auditor-General or an audit firm appointed by him in accordance with Section 14 of the State Corporations Act (as amended by the Miscellaneous Law Amendment Act 2002) and Sections 14 and 39 (i) of the Public Audit Act 2003.
7. To authorise the Directors to fix the remuneration of the Auditors.

SPECIAL BUSINESS – Approval of Bonus Issue of Shares

8. To consider and, if deemed appropriate, adopt the following which will be proposed as an ordinary resolution:
 - (a) THAT subject to receipt of requisite regulatory approvals, the sum of Kenya Shillings two hundred and fifty million (KShs 250,000,000) being part of the amount standing to the credit of revenue reserves be capitalised and accordingly that such sum be set free for distribution amongst the shareholders of existing ordinary shares in the capital of the company in the share register as at 8th June 2012, to be allocated on or about 13th July 2012, on the condition that, the same be not paid in cash but applied in paying up in full at par one hundred million (100,000,000) of the unissued ordinary shares of KShs2.50 each in the authorized share capital of the company, and that such one hundred million (100,000,000) shares credited as fully paid up be accordingly allotted to such shareholders in the proportion of one (1) of such new share for every six (6) of existing issued and paid up six hundred million (600,000,000) shares then held by such shareholders respectively (fraction of a share to be disregarded), and that, the shares so distributed shall be treated for all purposes as an increase of the nominal amount of the capital of the company held by each such shareholder and not as income and further that such shares shall rank pari passu for all purposes with the existing shares in the capital of the company, and further that, the new ordinary shares not qualify for the proposed dividend for the year ended 31st December 2011, and the directors be and are hereby authorised and directed to give effect to this resolution.
 - (b) THAT should any of the said one hundred million (100,000,000) bonus shares not be issued by reason of fractions of a share being disregarded the same be retained as unallocated in the Corporation's reserves.
9. To transact any other business in respect of which due notice has been received.

NOTICE OF THE 14TH ANNUAL GENERAL MEETING

By Order of the Board



Habil A. Waswani
Corporation Secretary,
Kenya Reinsurance Corporation Limited
Reinsurance Plaza, 15th Floor
Taifa Road
P.O. Box 30271-00100
Nairobi

20th April 2012

NOTES:

1. A member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company. To be valid, the form of proxy attached to this Annual Report or downloaded from the Corporation's website (www.kenyare.co.ke), must be duly completed and signed by the member and lodged at the registered offices of the Corporation's Share Registrars, M/s. Image Registrars Limited, Transnational Plaza, 8th Floor, Mama Ngina Street, and of P.O. Box 9287 – 00100 GPO, Nairobi or to be posted to the mail address, so as to reach M/s. Image Registrars Limited, not later than 6th June 2012 at 11.00 a.m.
2. Any member may by notice duly signed by him or her and delivered to the Corporation Secretary on the above address, not less than seven (7) days and not more than twenty one (21) days before the date appointed for the Annual General Meeting give notice of his intention to propose any other person for election to the Board, such notice to be accompanied by a notice signed by the person proposed of his or her willingness to be elected. The proposed person need not be a member of the Company.

TANGAZO LA MKUTANO MKUU WA MWAKA

Ilani inatolewa hapa kwamba MKUTANO MKUU WA 14 WA KENYA REINSURANCE CORPORATION LIMITED unaofanyika kila mwaka, wakati huu utafanyika katika ukumbi wa Bomas of Kenya, ulioko kwenye muelekeo wa barabara ya Lang'ata, jijini Nairobi, siku ya Ijumaa, tarehe 8 Juni 2012 – Saa 5 kamili Asubuhi. Katika mkutano huo, shughuli zifuatazo zitaangaziwa:

AJENDA

1. Ratiba ya Mkutano – Kusoma tangazo la kuitisha Mkutano na kuamua iwapo idadi ya washiriki inatosha kuanzisha mkutano huo.
2. Kupokea, kupendekeza na, ikiidhinishwa, kupitisha Taarifa za Kifedha za Shirika Zilizokaguliwa za mwaka uliomalizikia tarehe 31 Desemba 2011, ikiwa ni pamoja na Taarifa ya Mwenyekiti, Mkurugenzi Mkuu na Mkaguzi Mkuu wa Mahesabu.
3. Kuidhinisha malipo ya mgao wa awali na wa mwisho wa Kshs 0.35 kwa kila hisa, kwa kutegemea kiwango cha ushuru wa hifadhi kila itakapohitajika, katika kipindi cha mwaka uliomalizikia tarehe 31 Desemba 2011 kwa wanahisa waliosajiliwa kwenye vitabu vyetu kufikia tarehe 8 Juni 2012 kuanzia 13 Julai 2012, kama ilivyopendekezwa na Bodi Kuu, na kuidhinisha kufungwa kwa Usajili wa Wanachama mnamo tarehe 11 Juni 2012.
4. Uchaguzi wa Wakurugenzi Wakuu:
 - a) Kulingana na Kifungu cha 110 cha Sheria za Kanuni za Kiushirika za Halmashauri hii, Bw. Mutwiri Ikiao anastaafu kwa zamu kama Mkurugenzi Mkuu na, kwa sababu anaruhusiwa kisheria, anajitolea tena ili kuchaguliwa upya.
 - b) Kulingana na Kifungu cha 110 cha Sheria za Kanuni za Kiushirika za Halmashauri hii, Bi. Gladys M. Mboya anastaafu kwa zamu kama Mkurugenzi Mkuu na, kwa sababu anaruhusiwa kisheria, anajitolea tena ili kuchaguliwa upya.
 - c) Kulingana na Kifungu cha 110 cha Sheria za Kanuni za Kiushirika za Halmashauri hii, Bw. Nelson C. Kuria anastaafu kwa zamu kama Mkurugenzi Mkuu, lakini hatagombea nafasi ya kuchaguliwa upya.
5. Kuyashughulikia malipo ya Wakurugenzi wakuu kwa kipindi kilichomalizikia tarehe 31 Desemba 2011.
6. **Wakaguzi wa Mahesabu**
Kuwaifahamisha washiriki kwamba ukaguzi wa vitabu vya kifedha utaendelea kushughulikiwa na Msimamizi na Mkaguzi Mkuu wa Mahesabu ama Taasisi ya ukaguzi wa mahesabu itakayoiteua yeye kuambatana na Kifungu cha 14 cha Sheria za Asasi za Kiushirika (kama ilivyorekebisha na Kifungu cha Sheria ya Ziada ya Marekebisha ya Sheria cha mwaka wa 2002) na Sehemu ya 14 na 39 (I) ya Sheria ya 2003 ya Ukaguzi wa Mahesabu kwa Umma.
7. Kuwaidhinisha Wakurugenzi Wakuu ili kuafikiana kuhusu malipo ya Wakaguzi wa Mahesabu.

SHUGHULI MAALUM – Kuidhinishwa kwa Utoaji wa Bonasi kwa Hisa

8. Ili kuKubalika, ikionekana kuwa inafaa, kuidhinisha maswala yafuatayo yatakayopendekezwa kama maafikiano ya kawaida:
 - (a) KWAMBA, kwa kutegemea kupokelewa kwa idhinisho kamili kutoka kwa halmashauri husika, kiwango cha Shilingi Milioni Mia Mbili Hamsini (KShs250,000,000) kikiwa ni sehemu ya akiba ya mapato, ifanywe kuwa mtaji na pesa hizo zigawiwe wenye hisa za kawaida zilizopo kwenye mtaji wa kampuni katika vitabu vya sajili ya hisa kufikia tarehe 8 Juni 2012. Kwa masharti kwamba, kiwango hicho cha fedha kisilipwe kwa pesa taslimu, na badala yake kilipiwe kikamilifu kwa usawa wa Shilingi Milioni Mia Moja (100,000,000) kwa hisa za kawaida ambazo hazijagawiwa wenye hisa kwa mgao wa KShs2.50 kwa kila hisa katika Mgao wa Mtaji wa Kampuni ulioidhinishwa, na kwamba katika hisa Milioni Mia Moja (100,000,000) zilizopitishwa baada ya kulipwa kikamilifu kwa wenye hisa hao katika viwango vya hisa moja (1) mpya kama hiyo kwa kila hisa sita (6) zilizopo na zilizotolewa na hisa zilizolipiwa kwa kiwango cha hisa Milioni Mia Sita (600,000,000) zilizopo, mtawalia (akisami ya hisa haitatiliwa maanani), na hivyo, hisa hizo zilizogawanywa zitachukuliwa kwa namna zote kuwa kama nyongeza ya kiwango cha mtaji cha Kampuni kinachomilikiwa na kila mwenye hisa na wala hakitakuwa kama faida na zaidi ya hapo hisa hizo zitaorodheshwa kama pari passu kwa njia zote za hisa zilizopo katika mtaji wa kampuni. Zaidi ya hayo, hisa mpya za kawaida hazifai kulipwa kwa mgao utakaotolewa kwa kipindi kilichomalizikia tarehe 31 Desemba 2011, na Wakurugenzi Wakuu wanaidhinishwa na kuruhusiwa kutekeleza maafikiano hayo.
 - (b) KWAMBA, ikiwa hisa Milioni Mia Moja za bonasi zilizotajwa (100,000,000) hazitagawanywa kwenye akisami ya hisa zinazotengwa, kiasi hicho kibakizwe kama ambacho hakikugawanywa katika akiba ya Shirika.
9. Kuendesha biashara nyingine yoyote kulingana na tangazo lililopokelewa.

TANGAZO LA MKUTANO MKUU WA MWAKA

Kwa idhini ya Bodi Kuu



Habil A. Waswani
Katibu wa Shirika,
Kenya Reinsurance Corporation Limited
Jumba la Reinsurance Plaza, Orofa ya 15
Barabara ya Taifa Road
S.L.P 30271-00100
Nairobi

Tarehe 20 Aprili 2012

FAHAMU:

1. Mwanachama anayeruhusiwa kuhudhuria na kupiga kura katika mkutano na ambaye hataweza kuhudhuria mkutano anaruhusiwa kumteua mtu atakayemkaimisha na kupiga kura kwa niaba yake. Mkaimishaji huyo sio lazima awe mwanachama wa Kampuni. Ili ikubalike kama fomu halali, ima iwe imeopolewa kutoka kwenye wavuti (www.kenyare.co.ke), ama kuambatanishwa katika Ripoti hii ya Mwaka, ni lazima ijazwe na mwanachama kikamilifu na kufikishwa kwenye Afisi za Halisi za Msajili wa Hisa za Shirika, M/s. Image Registrars Limited, Transnational Plaza, 8th Floor, Mama Ngina Street, kupitia S.L.P 9287 – 00100 GPO, Nairobi ama kutumwa kwa anuwani hiyo ili kufika kwa M/s. Image Registrars Limited, kabla ya tarehe 6 Juni 2012, nyakati za 5 Asubuhi.
2. Mwanachama yoyote anaweza kutoa ilani ya nia yake ya kumpendekezwa mtu mwingine yeyote atakayechaguliwa kwenye Bodi Kuu. Hii itakuwa ni baada ya kutia sahihi fomu hiyo kikamilifu na kuifikisha kwa Katibu wa Shirika kupitia kwa anuwani zilipoko hapo juu, na isiwe chini ya siku saba (7) na isizidi siku ishirini na moja (21) kabla ya tarehe iliyotengwa ya Mkutano Mkuu wa Mwaka. Hali kadhalika, ilani ama ombi hilo linafaa liambatanishwe na sahihi ya mtu anayependekezwa au anayetaka kuchaguliwa. Mtu huyo anayependekezwa sio lazima awe mwanachama wa kampuni.

DIRECTOR'S PROFILE



NELIUS KARIUKI, 61 – CHAIRMAN & NON-EXECUTIVE DIRECTOR

Mrs. Nelius Kariuki joined the Corporation's Board of Directors on 18th December 2003 as a Director. Mrs. Kariuki has been the Chairman of the Corporation's Board since 4th January 2007. She is holder of Bachelor of Arts (Hons.) (Econ.) and Master of Arts (Econ.) degrees from The University of Nairobi. She worked with various Ministries in Government rising to the level of Principal Economist until 1990. She is currently in private business being the Director of Nelleon Development Company. She is also a director of Zep Re (PTA Reinsurance Company) and a member of the Institute of Directors.

JADIAH MWARANIA, 47 – MANAGING DIRECTOR

Mr. Mwarania was appointed the Managing Director of the Kenya Re on 12th April 2011. He has worked with the Corporation for over 20 years and was previously the General Manager (Reinsurance Operations) and Acting Managing Director. He holds a Bachelor of Commerce (B.com.) (Hons.) and Master of Business Administration (MBA) degrees from The University of Nairobi. He is a Fellow of the Chartered Insurance Institute of London (FCII), and the Insurance Institute of Kenya (FIK). Mr. Mwarania is a Chartered Insurer (CI) of the Insurance Institute of London, the highest and the most prestigious level of professional achievement with the Institute, and an Associate Member of the Kenya Institute of Management (AMKIM).

He is also a member of the Board of Directors of Industrial Development Bank (IDB), an Alternate Director on the Board of Directors of Zep Re (PTA Reinsurance Company) and the Hon. Secretary and member of the Executive Committee (EXCO) of the Association of Kenya Reinsurers (AKR). He is an Alternate Director of the Board of Directors of Africa Reinsurance Corporation (Africa Re). He is also a Committee Member of the Insurance Training and Education Trust (ITET) Board on Finance and Development of the College of Insurance of Kenya.



JOSEPH K. KINYUA, CBS, 61 – PERMANENT SECRETARY, TREASURY & NON-EXECUTIVE DIRECTOR

Mr. Kinyua holds Bachelor of Arts (Econ.) and Masters of Arts (Econ.) degrees from The University of Nairobi. He is currently the Permanent Secretary to the Treasury, under the Office of the Deputy Prime Minister and Ministry of Finance. He is a career economist having served in various senior capacities in the Treasury and the Central Bank of Kenya; and he has also worked as an economist with the International Monetary Fund between 1985 and 1990. He has served as a board member in various State Corporations and as a member of the Programme Committee of the African Economies Research Consortium (AERC) and is an Alternate Governor, World Bank Board of Governors.

DR. IRUKI KAILEMIA, 58 – NON-EXECUTIVE DIRECTOR

Dr. Kailemia joined the Board of Directors of the Corporation on 18th December 2003. He holds a Bachelors Degree in Pharmacy from The University of Nairobi. He has been a Pharmacist at Kenyatta National Hospital and a Marketing Manager at Sandoz Pharmaceuticals Ltd. Currently, he is the Managing Director of Madawa Pharmaceuticals Limited.



DIRECTOR'S PROFILE

JACOB HAJI ALI, 55 – NON-EXECUTIVE DIRECTOR

Mr. Haji was appointed a Director of the Corporation on 18th December 2003. His Directorship was extended on 4th January 2007. Mr. Haji was a Legal Assistant with ICDC between 1977-1995. He has attended a management course at Kenya Institute of Management. He has also attended several other professional management, governance and leadership courses. Currently, he is in private business.



GLADYS MUMBUA MBOYA, 44 – NON-EXECUTIVE DIRECTOR

Mrs. Mboya joined the Corporation's Board of Directors on 4th January 2007. She is an Advocate of the High Court of Kenya. She is the Managing Partner of Mboya and Wangong'u Advocates with sixteen years experience in Commercial and Corporate practice. She is a Certified Public Secretary of Kenya, a Member of the Chartered Institute of Arbitrators and a Mentor with the Global Give Back Circle (GGBC). She holds a Masters degree in Business Administration (MBA) from the University of Warwick (UK), a Bachelor of Laws with Honours degree (LLB) from the University of Wales, Aberystwth (UK) and a Diploma in Law from the Kenya School of Law. Mrs. Mboya is the Chairman of the Human Resources Committee of the Corporation's Board.

EVEREST MATOLO LENJO, 60 – NON-EXECUTIVE DIRECTOR

Mr. Lenjo joined the Corporation's Board of Directors on 4th January 2007. He holds a Bachelors degree in Business Administration (International Trade & Marketing) from City University of New York and a Masters in Business Administration (Corporate Finance) degree from St. John's University Queens New York. He previously worked in the oil industry with Caltex Oil Kenya in various managerial levels in the regional marketing and trading of fuels in East and Central Africa. He currently is a consultant in exports, trading and transport logistics in the regional fuels market. Mr. Lenjo is the Chairman of the Audit Committee of the Corporation's Board.



MUTWIRI IKIAO, 61 – NON-EXECUTIVE DIRECTOR

Mr. Ikiao joined the Corporation's Board of Directors on 4th January 2007. He holds a Bachelor of Arts (Economics & Government) degree from The University of Nairobi. He has attended an Executive management programme at University of Western Ontario, Canada and the Insurance Management programme at College of Insurance (London). He also has a Banking Diploma from the Institute of Bankers (London). Mr. Ikiao has successfully completed various postgraduate professional management courses. He has worked in both the Banking and Insurance Industry. He was a Banking Executive between 1976-1981 and a General Manager in Charge of Finance and Administration in Intra Africa Assurance Company Ltd between 1981-2005. He has been a Director in Kenya Industrial Estates (K.I.E), Agricultural Finance Corporation and Williamson Development Co. Limited. In the year 2011 he was appointed as Chairman of Risk and Compliance Committee of the Corporation's Board.

DIRECTOR'S PROFILE



NELSON CHEGE KURIA, OGW, 58 – NON-EXECUTIVE DIRECTOR

Mr. Kuria joined the Corporation's Board of Directors on 22nd June 2009. He graduated with a Bachelor of Arts degree in Economics from The University of Nairobi in 1979. Since then, he has undergone extensive training in strategic management and leadership.

Mr. Kuria has 32 years working experience most of which have been in the insurance industry. For the last 13 years he has been working for The Co-operative Insurance Company of Kenya (CIC) where he is the Group Managing Director and CEO since 2001. Mr. Kuria is the immediate past Chairman of the Association of Kenya Insurers (AKI). He is still a board member of AKI and he represents the Association in the boards of the Federation of Kenya Employers (FKE) and Kenya Reinsurance Corporation. He is a member of the Institute of Directors of Kenya and is a member of many other local and international boards.

FELIX OWAGA OKATCH, 58 – NON-EXECUTIVE DIRECTOR

Mr. Okatch joined the Corporation's Board of Directors on 8th April 2010. He is a graduate of Commerce from The University of Nairobi in the mid 1970s. He also holds a post graduate diploma from Helsinki School of Economics and an executive MBA from Makerere University Business School. Mr. Okatch is a multilateral trade expert and has over 30 years working experience in local and multinational Corporations. He is the author of "Marketing Management Systems" and other publications on corporate governance, marketing and economic issues.

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



HABIL WASWANI, 35 – CORPORATION SECRETARY

Mr. Waswani joined the Corporation on 3rd August 2009 as the Corporation Secretary and Principal Legal Officer. He held a similar position at Diamond Trust Bank Kenya Limited before joining the Corporation, and has over 10 years experience in commercial and corporate law practice. Mr. Waswani holds a Bachelor of Laws (LL.B) Degree from The University of Nairobi and a Diploma in law from the Kenya School of Law. He has attended several professional management and governance courses. He is holder of Global Executive Master of Business Administration (GEMBA) Degree offered by the United States International University in collaboration with the Columbia Business School, Columbia University, New York.

Besides being an Advocate of the High Court of Kenya and a registered Certified Public Secretary, Mr. Waswani is also a member of the Institute of Directors, the Law Society of Kenya and the Institute of Certified Public Secretaries of Kenya.

CHAIRMAN'S STATEMENT



Foreword

It is my pleasure to present to you, on behalf of the board of directors, the annual report and financial statements of the corporation for the year ended 31st December 2011.

We ended the year with record-breaking profits. A key driver behind our financial success was our strategy. Our intense focus on successfully executing our growth strategy paid off. Thus, these results are a reflection of the high performance culture which is embraced by all 94 employees of Kenya re. These results have also demonstrated that we are in the right markets, with the right strategy, and have the right leadership in place to deliver consistent value to our shareholders.

Business environment

2011 witnessed the world's major economies emerge from the depths of recession. Businesses and countries underwent various restructurings towards recovery from the effects of the 2008 meltdown. On the local scene, rising inflation triggered a rise in interest rates amidst volatility in the shilling exchange rates. These conditions threatened economic stability and growth during the year. Economic growth is forecast to be at between 4-5% in the year. The stock market lost in value as investors kept away, instead preferring to be active in the debt markets. Despite all these economic vagaries, our industry demonstrated remarkable resilience and even showed strong growth towards the close of 2011.

Highlights of performance

Premiums

Gross premiums written grew by 33% from Kshs 4,980 million to Kshs 6,614 million. This growth was realized as a result of concerted efforts in marketing the Corporation's products in Kenya and internationally, that led to increased business shares. Our increased visibility in West Africa through the Abidjan office reflected increased business volumes from the region. Premiums written stood at Kshs 91 million.

Performance of key markets

Kenya

The local market remains a key contributor to the corporation's business. It currently accounts for about 53% of total premiums. Domestic premiums written increased from Kshs 2,884 in 2010 to Kshs 3,542 million in 2011, a growth of 23%. This growth was realized on the back of increased innovativeness of many insurance companies that has seen the industry develop and launch many new customer focused products. As a reinsurer, we welcome such initiatives and are keen to support cedants developing new products.

Rest of Africa

The Corporation is a major player in the African reinsurance market. The whole of Africa is serviced from our head office in Nairobi - that is both central and endowed with necessary skills and facilities. The branch office in Abidjan, serves our clients in the west Africa region. Premiums written from the rest of Africa grew from Kshs. 979 million in 2010 to Kshs 1,423 million in 2011, a 45% growth. Plans are underway to establish an additional branch office to serve the southern Africa region.

Middle East & Asia

Our presence in middle east and Asia spans several years. Unlike Africa, access to these markets is through brokers who have strong presence in those regions. Premium yield from the region remains encouraging. Gross premiums rose from Kshs 1,116 million in 2010 to Kshs 1,557 million in 2011. We remain optimistic that the overall economic growth in these regions led by India will continue to support our business in the region.

CHAIRMAN'S STATEMENT (CONTINUED)

Underwriting results

The Corporation experienced significantly higher claims in 2011 compared to 2010. Net claims incurred increased from Kshs 2,047 million in 2010 to Kshs 2,940 million in 2011. This was as a result of a major marine accident in 2010 and increased fire accidents in all regions. As a consequence, the underwriting results were disappointing. The corporation made an underwriting loss of Kshs 193 million in 2011 from a profit of Kshs 76 million in 2010.

Outstanding claims provisions

Claim reserves increased by 7% from Kshs 4,363 million in 2010 to Kshs 4,660 million in 2011.

Investments

Portfolio

The financial investments portfolio value increased from Kshs 8,338 million to Kshs 9,271 million. The growth was primarily out of reinvestment income and new injections from the positive cash flows generated by the business. The property portfolio also recorded significant revaluation gains of Kshs 684 million from Kshs 4,616 to Kshs 5,365 million. The commercial property market where the Corporation is a key player continues to show strong growth.

Performance

Despite the increase in portfolio size investment income declined by 13% from Kshs 1,683 million to Kshs 1,453 million. This is explained by the poor stock market performance that made it impossible for any meaningful capital gains to be realized from the portfolio in the year. Unlike 2010 when Kshs 614 million was realized in capital gains, only Kshs 209 million was recorded 2011.

Profitability

The Corporation recorded improved overall performance in the year. Profit before taxation grew from Kshs 1,660 million to Kshs 2,036 million. The improved performance is attributed to strong top line growth and cost controls.

Dividend

Our commitment to grow shareholder value remains intact as evidenced by the strong full year performance. The after tax profit for the year stood at Kshs 1,914 million. Based on this impressive performance, the board recommends the payment of a first and final dividend of 14% (Kshs 0.35) on every fully paid up share of Kshs 2.50 each, equivalent to Kshs 210 million. In addition to this cash dividend, the board has found it fit to reward the shareholders with a bonus share distribution of 1 fully paid share for every 6 shares held.

Financial strength rating

In 2011, the Corporation retained its financial strength rating of b+ from A. M. Best company. It also received a claims paying ability rating of aa for the local market and bb+ for the international market. These are strong ratings and the corporation shall endeavor to maintain them. We still retain our certification under the iso 9001:2008 standard - quality management systems.

Corporate Social Responsibility

As Chairman, it is my role to lead the board and ensure its effectiveness. The key actions of the board in 2011 are detailed in the corporate governance section. Corporate responsibility underpins the responsible and sustainable delivery of our key business drivers and, as such, is an integral part of achieving our overall strategy. The board believes that the integration of corporate social responsibility in the Corporation's business strategy will aid in the achievement of our business goals, and act as a building block for growth in shareholder value and benefit the communities in which we operate. The board launched the "Niko Fiti" campaign targeting people living with disabilities. This is a three year campaign that aims to offer assistive devices to this vulnerable group.

Outlook and strategy

Although we exited year 2011 pleased with our progress, looking forward into 2012, uncertainties are plenty. Economic challenges remain and with it political uncertainty. These call for diligence in strategy execution as well as caution. Despite the difficult conditions, we believe that our core values of professionalism, quality service, innovation and trust shall guide us through. These values remain at the heart of our strategy going forward. Our stakeholders can, therefore, look forward to the future with confidence.

Despite the uncertainties in 2012, we remain optimistic that the year will turn out positively. The markets we operate in are full of opportunities and this gives us confidence. The recent oil exploration and discoveries in Kenya are a salutary reminder that nobody can predict what lays in wait for the future. Thus in 2012 and going forward, we will realign our strategies to harness the emerging opportunities. The board remains positive and confident that with strong leadership and committed employees, we are well placed to optimize on the growth opportunities to deliver strong profits in the coming years.

Appreciation

On behalf of the board of directors and management, I wish to pass my appreciation to the government of Kenya; our majority shareholder for continued support and guidance. My fellow board members have done a commendable job which is highly appreciated. Thank you, our valued customers, the cedants, for your support. I also wish to acknowledge our distinguished shareholders for your loyalty and commitment. I wish to also thank the management and staff of the Corporation for steering the Corporation to new heights.

Finally thank you all for your wonderful support, patience and valued patronage.

God bless you.



Nelius Kariuki
Chairman

RIPOTI YA MWENYEKITI



Utangulizi

Kwa niaba ya bodi ya wakurugenzi wakuu, nina furaha kuwasilisha kwenu ripoti ya mwaka na taarifa za kifedha za shirika za mwaka uliomalizikia tarehe 31 desemba 2011. Tuliomalizia mwaka kwa faida nzuri sana. Kilichotusaidia zaidi katika ufanisi wetu huo ilikuwa ni mikakati yetu kabambe. Jitihada zetu za kuhakikisha kwamba tumeitekeleza mikakati hiyo vyema hatimaye ilizaa matunda. Hivyo basi, matokeo haya yanaakisi tamaduni zetu za kiutendakazi, ambazo zinatumiwa kikamilifu na wafanyikazi wetu wote 94 wa kenya re. Kadhalika, matokeo haya yamedhihirisha wazi kwamba tuko kwenye soko linalofaa, huku tukitumia mikakati bora, na tuna wasimamizi wazuri wanaosimamia vyema shirika ili kuiweka wazi thamani ya shirika hili kwa wenyekisa.

Mazingira ya kibiashara

Mwaka wa 2011 ulishuhudia mataifa makubwa kiuchumi ulimwenguni yakijinyanyua kutoka katika hali mbaya ya mfumko wa kibiashara. Biashara na mataifa mengi yalipitia mabadiliko mengi ya kiusimamizi kutokana na athari za kiuchumi zilizosababishwa na mfumko wa bei wa mwaka wa 2008. Katika masoko yetu hapa nchini, mfumko wa bei ulisababisha kupanda kwa viwango vya riba huku pakiwa na sintofahamu ya viwango vya ubadilishanaji wa fedha. Hali hii iliathiri pakubwa shughuli za kiuchumi na ukuaji wa kibiashara. Ukuaji wa kiuchumi unatarajiwa kukua kwa kiwango cha 4-5% katika mwaka huu. Thamani ya soko la hisa ilipungua baada ya wawekezaji kupunguza kasi ya uwekezaji wao kwenye biashara mbali mbali, na badala yake wengi wao kujishughulisha katika soko la kukusanya madeni. Licha ya matatizo hayo ya kiuchumi, sekta yetu ilishamiri na kuonyesha dalili za kukua vyema katika kipindi cha mwisho wa mwaka wa 2011.

Taarifa za matokeo ya utendakazi

Viwango

Kiwango cha mapato ya fedha za bima kilikua kwa 33% kutoka shilingi milioni 4,980 hadi shilingi milioni 6,614.

Ukuaji huu ulitokana na juhudi za pamoja za kutangaza bidhaa zetu mbali mbali za shirika hili humu nchini na hata kimataifa, na hali hii ikasababisha kuongezeka kwa hisa zetu za kibiashara. Kuimarika kwa biashara zetu huko afrika magharibi kupitia kwa ofisi yetu iliyoko huko abidjan kuliakisi ongezeko la kibiashara katika eneo hilo. Hivyo basi, kiwango cha mapato ya fedha za bima kilifikia shilingi milioni 91.

Matokeo ya masoko muhimu

Kenya

Soko la humu nchini limebakia kuwa kiungo muhimu sana katika biashara ya shirika letu. Kwa sasa, soko letu linasimamia takribani 53% ya mapato yetu yote ya bima. Mapato ya bima ya humu nchini yaliongezeka kutoka shilingi milioni 2,884 mnamo mwaka wa 2010 hadi shilingi milioni 3,542 kufikia mwaka wa 2011, likiwa ni ongezeko la 23%. Ukuaji huo umetokana na ubunifu mkubwa wa kibiashara wa kampuni nyingi za bima na ambao umesababisha maendeleo makubwa ya sekta hii. Hivyo basi, ubunifu huo umezifanya kampuni nyingi za bima kuzindua bidhaa bora na muafaka kwa wateja. Kama shirika linalosimamia kampuni nyingi za bima, tunakaribisha sana mikakati kama hiyo na tuko tayari kuunga mkono harakati hizo za kiubunifu.

Sehemu nyingine za Afrika

Shirika hili ni mhusika mkuu katika soko la mashirika yanayosimamia kampuni za bima barani afrika. Masoko yote ya afrika hupata huduma kutoka katika afisi zetu kuu hapa jijini nairobi – hiki kikiwa ni kitovu na kuna utaalamu wa kutosha na hali kadhalika vifaa mahususi. Afisi yetu huko abidjan, huwapatia huduma wateja wetu kutoka eneo la afrika magharibi. Mapato ya bima kutoka sehemu nyinginezo barani afrika yalikuwa kutoka shilingi milioni 979 katika mwaka wa 2010 hadi shilingi milioni 1,423 mnamo mwaka wa 2011, hii ikiwa ni ukuaji wa 45%. pana mipango kabambe ya kufungua afisi zitakazosimamia eneo la kusini mwa afrika.

Eneo la mashariki ya kati na Asia

Kwa miaka mingi sasa, shirika hili limetoa huduma yake katika eneo pana la mashariki ya kati na asia. Kinyume na ilivyo afrika, ili kufikia soko hili huwa unapitia mawakala wanaofahamika vyema katika maeneo hayo. mapato ya bima kutoka maeneo hayo yanaridhisha sana. viwango vya mapato hayo vilipanda kutoka shilingi milioni 1,116 mnamo 2010 hadi shilingi milioni 1,557 katika mwaka wa 2011. Tuna imani kwamba ukuaji wa jumla wa kiuchumi katika maeneo haya, ukiongozwa na taifa la india, yataendelea kuunga mkono biashara yetu.

RIPOTI YA MWENYEKITI (CONTINUED)

Matokeo ya malipo ya bima

Shirika hili lilishuhudia ongezeko kubwa la malipo ya madai katika mwaka wa 2011 ikilinganishwa na mwaka wa 2010. Gharama taslimu ya madai iliongezeka kutoka shilingi milioni 2,047 katika 2010 hadi shilingi milioni 2,940 mnamo mwaka wa 2011. Hii ilitokana na ajali mbaya ya baharini iliyotokea mwaka wa 2010 na pia kuongezeka kwa mikasa ya moto katika maeneo yote. Kutokana na mikasa hiyo, matokeo ya mapato ya bima yalikuwa ya kusikitisha. Shirika lilipata hasara katika malipo ya bima ya shilingi milioni 193 mnamo mwaka wa 2011 kutoka katika faida ya shilingi milioni 76 kwenye mwaka wa 2010.

Masharti ya malipo ya madeni

Maakaba ya madai yaliongezeka kutoka kwa 7% kutoka shilingi milioni 4,363 mnamo mwaka wa 2010 hadi shilingi milioni 4,660 katika mwaka wa 2011.

Nafasi za uwekezaji

Thamani ya nafasi za uwekezaji wa kifedha iliongezeka kutoka shilingi milioni 8,338 hadi shilingi milioni 9,271. kimsingi, ukuaji huo ulitokana na marudio-ya-uwekezaji wa mapato yetu na uwekezaji wa fedha taslimu za mapato halali kutokamana na biashara yetu. Kadhalika, kitengo cha bidhaa kilirekodi faida ya shilingi milioni 684 kutoka shilingi milioni 4,616 hadi shilingi milioni 5,365. Soko la biashara ya nyumba, kitengo ambacho shirika hili linajishughulisha sana, kilionyesha ukuaji mkubwa si haba.

Matokeo

Licha ya kukua kwa sekta, kiwango cha mapato ya uwekezaji kilipungua kwa 13% kutoka shilingi milioni 1,683 hadi shilingi milioni 1,453. Hali hii inatokana na kudorora kwa matokeo ya soko la hisa lililosababisha kutokuwepo kwa matokeo mazuri ya uwekezaji katika kitengo hicho kwa mwaka huo. Kinyume na ulivyokuwa mwaka wa 2010, wakati ambapo faida ya shilingi milioni 614 ilipopatikana kutokana na mtaji, kipindi hiki cha mwaka wa 2011 ni shilingi milioni 209 tu zilizopatikana.

Faida

Shirika hili lilirekodi matokeo bora ya mwaka ulioisha. Faida kabla ya ushuru ulikua na kufikia shilingi milioni 1,660 hadi shilingi milioni 2,036. Matokeo hayo mazuri yanatokamana na ukuaji wa bidhaa zetu kuu na matumizi bora ya kifedha..

Mgao wa hisa

Kujitolea kwetu katika mbinu za kuongeza idadi ya thamani ya wenyehisa kuliimarika kama ilivyo wazi katika matokeo yetu mazuri ya mwaka. Faida kabla ya ushuru ya mwaka huo ilifikia shilingi milioni 1,914. Kufuatia matokeo hayo mazuri, bodi kuu inapendekeza malipo ya awali na ya mwisho ya mgao wa 14% (kshs 0.35) kwa kila hisa iliyolipiwa kikamilifu ya shilingi 2.50 kwa kila hisa, ikiwa ni sawa na shilingi milioni 210. Zaidi ya malipo haya ya pesa taslimu kwa mgao huo, bodi kuu pia ilionelea pana haja ya kuwazawidi wenyehisa kwa mgao wa hisa ya bonasi wa hisa 1 iliyolipiwa kikamilifu kwa kila hisa 6 zinazomilikiwa.

Vipimo vya ubora wa kiwango cha fedha

Katika mwaka 2011, shirika hili lilibakia katika kiwango chake cha ubora wa vipimo ambao ulikuwa ni b+ kutoka kwenye ngazi ya a.m. Best company. Kadhalika ilipokezwa stakabadhi za kuonyesha uwezo wa shirika wa kulipa madeni na kuingizwa katika ngazi ya aa kwa soko la ukanda huu na ngazi

ya bb+ katika soko la kimataifa. Hizi ni ngazi kubwa na shirika hili litajitahidi kuzifanya kuwa bora zaidi. Tutaifadhi stakabadhi zetu za ubora za iso 9001:2008 – vya ubora wa mifumo ya usimamizi.

Majukumu ya kijamii na kiushirika

Kama mwenyekiti, ni jukumu langu kuiongoza bodi na kuhakikisha kwamba inawajibikia utendakazi wake bora. Hatua zote muhimu za bodi zimeelezwa vyema katika sehemu ya usimamizi wa kiushirika. Majukumu ya kiushirika hushabihiana na uwajibikaji na utendakazi endelevu wa biashara zetu kuu na, hali hiyo, inakuwa kiungo muhimu katika ujumla wa mikakati yetu. Bodi inaamini kwamba mtagusano wa majukumu ya kijamii na kiushirika yanayofungamana na mipango ya biashara yetu itasaidia kuyafikia malengo ya biashara hii, na kuwa muhimili mkuu wa kusaidia kukua kwa thamani ya wenyehisa wetu na kadhalika jamii inayoishi sehemu tunazoendeshea shughuli zetu. Bodi kuu ilizindua kampeini ya “niko fiti” ili kuwasaidia watu wanaoishi na ulemavu. Hii ni kampeini ya miaka mitatu iliyo na lengo la kuwapa vifaa mbali mbali vitakavyowasaidia kwa njia tofauti tofauti.

Azma na mikakati

Hata baada ya kuwa na matokeo bora katika mwaka wa 2011, mwaka wa 2012 una mikingamo na changamoto tele. Bado pangali na changamoto za kiuchumi na sintofahamu nyingi za kisiasa. Hali hii inahitaji umakini na kuchukua hadhari kubwa katika utendakazi wetu. Licha ya kuwepo kwa wakati mgumu, tuna imani kwamba nguzo zetu za utaalumu, huduma bora, ubunifu na uaminifu zinabakia kuwa kiungo kikuu katika mikakati yetu. Hivyo basi, washikadau wetu wanaweza kuuamini mustakabali wetu bila wasiwasi wowote. Licha ya sintofahamu kwa yatakayotokea mwaka wa 2012, tuna imani kwamba tutakuwa na matokeo bora. Masoko tunayoendeshea shughuli zetu yana nafasi nyingi za kibiashara na hiyo inatupatia sana moyo. Uvumbuzi wa mafuta ya visukuku nchini kenya ni dhihirisho tosha kwamba mengi mazuri yanaweza kutokea bila ya kutarajiwa. Kwa hivyo, kwenye mwaka wa 2012 na siku za usoni, zitajizatiti ili kuwa tayari kuzishughulikia nafasi za kibiashara kila zitakapotokea. Bodi hii inaamini kwamba pakiwa na uongozi bora wa shirika na wafanyikazi waliojitolea kwa dhati ya moyo wao, tutafaulu na kuyafikia malengo yetu na hatimaye kupata faida nzuri katika miaka ijayo.

Shukrani

Kwa niaba ya bodi ya wakurugenzi wakuu na wasimamizi wa shirika, ningependa kutoa shukrani zangu za dhati kwa serikali yetu ya kenya; wenyehisa wetu wote kwa usaidizi na mwongozo wao usiopimika. Wanachama wenzangu kwa bodi kuu wamefanya kazi ya kupigiwa mifano na ya kuridhisha. Nawashukuru mno wateja na wadai wetu wote kwa mchango wao mkubwa. Kadhalika ningependa kuwatambua wenyehisa waliobakia nasi kwenye vipindi vyote vya shida na raha. Napenda pia kuwashukuru wasimamizi na wafanyikazi wote wa shirika letu kwa kulisiamamia shirika hili kwenye viwango vya ufanisi. Kwa kutamatisha, nawashukuru nyote kwa usaidizi wenu mzuri, uvumilivu na uungwana wenu. Mungu awabariki nyote.



Nelius Kariuki
Mwenyekiti

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2011

The directors have the pleasure of presenting their report together with the audited financial statements of Kenya Reinsurance Corporation Limited (the "Corporation") for the year ended 31 December 2011 which show the Corporation's state of affairs.

PRINCIPAL ACTIVITIES

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

RESULTS

Profit before taxation

2011
Shs '000

2,036,777

Taxation charge

(122,193)

Profit for the year transferred to retained earnings

1,914,584

DIVIDENDS

The directors recommend the payment of a first and final dividend of Sh 0.35 (2010 - Sh 0.35) per share totalling to Sh 210 million for the year ended 31 December 2011 (2010 - Sh 210 million). The directors also recommend a bonus share issue in the proportion of one (1) new ordinary share for every six (6) fully paid up shares held by the shareholders, subject to regulatory approvals and the shareholders' approval at the Annual General Meeting to be held on 8 June 2012.

DIRECTORS

The present membership of the Board is set out on page 2.

In accordance with Articles 110 of the Corporation's Articles of Association Mr. Nelson C. Kuria, Mrs. Gladys M. Mboya and Mr. Mutwiri Ikiao retire by rotation as Directors. Save for Mr. Nelson C. Kuria, the other retiring Directors being eligible, offer themselves for re-election at the Annual General Meeting to be held on 8 June 2012.

SECRETARY

The Corporation's Secretary is Mr. Habil A. Waswani.

AUDITORS

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

Deloitte & Touche were appointed by the Auditor General to carry out the audit for the year ended 31 December 2011.

BY ORDER OF THE BOARD



Secretary
20th April 2012
Nairobi

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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



Mr. Jadhah Mwarania
Principal Officer



Mr. Everest Lenjo
Director



Mr. Felix Okatch
Director

20th April 2012

MANAGING DIRECTOR'S STATEMENT

Performance

The Corporation achieved impressive performance in all facets of its operations in year 2011. The premiums written, cash flows, profitability and assets base, among other indicators registered commendable growth in the year 2011. This good performance was driven by many factors among them a stable macro-economic environment, focused marketing of the Corporation's services and wise choice of insurance markets, prudent underwriting and claims management, considered investing activities and investment portfolio mix and innovativeness in product development as well as service delivery.

Financial results

i) Underwriting

During the year 2011, gross premium written grew by 33% from Kshs 4.9 billion in the year 2010 to Kshs 6.6 billion in the year 2011. The net earned premiums grew from Kshs 4.2 billion in year 2010 to Kshs 5.7 billion in year 2011, a 34% growth. The growth in the gross written premium was due to aggressive and effective marketing which saw us acquire new business in both the Kenyan and international insurance markets. We deepened our relationships with brokers and cedants and introduced reinsurance covers for new classes of business like political risks, agriculture and retakaful.

The net claims incurred grew by 44% from Kshs 2.0 billion in 2010 to Kshs 2.9 billion in 2011. This is explained partly by the huge growth in business between the two year as well as some major international marine and fire claims. The Corporation remains committed to entrench prudent underwriting by critically analyzing business acceptances to minimize losses. We managed to negotiate for a competitive retrocession programs for year 2011.

ii) Investments

Our investment portfolio grew as a result of net positive cash flows achieved in the year 2011. While investment returns from the stock market investments were hurt by the depressed performance of the Nairobi Securities Exchange for most part of year 2011 returns from the fixed income assets and property rental incomes supported overall investment returns. Investment income declined by 14% from Kshs 1.6 billion in year 2010 to Kshs 1.4 billion in year 2011. We focused on enhancing the returns from our investment portfolio through proactive portfolio management.

iii) Overall Performance

Pretax profits grew by 23% from Kshs 1.6 billion in 2010 to 2 billion in 2011. This impressive growth in profitability resulted from strong investment returns and cost containment measures that saw operating expenses grow at 11%, a level lower than the mean inflation rate in 2011. Profit after tax increased by 24% from Kshs 1.4 billion in 2010 to Kshs 1.9 billion in 2011.

iv) Financial Position

The Corporation's total assets grew from Kshs 17.2 billion in 2010 to Kshs 19 billion in 2011, an 11% growth. Shareholders funds increased by 9% from Kshs 10.5 billion to Kshs 11.5 billion. This increase in Corporation's financial strength is attested by the continued high financial ratings by international credit rating agencies including A. M. Best.

Markets

In line with our vision of being the preferred reinsurer in our chosen markets, we continued to focus on developing our key markets and seeking to satisfy our customer needs. We supported our cedants by adding value to their operations through technical reinsurance training and technical support in their operations. During the year 2011, we conducted technical reinsurance seminars and workshops in Kenya, Cameroun, Burundi and Tanzania.

We also extended technical and financial support to insurers in developing new products and services. This was mainly in micro-insurance, agriculture and political risks. This earned us increased business and customer loyalty.



MANAGING DIRECTOR'S STATEMENT (continued)

Establishment of Branch Offices

Over the years, the Corporation has relied on its head office to service all its clients in Africa, Middle East and Asia. While this has worked over the years, the increasing need for greater customer focus in terms of efficient service delivery coupled with the need to manage operational costs has made it necessary to create regional offices. We have adopted a regional branch office model to be able to better service our increasing customer base in the chosen markets.

We opened the first branch office in Abidjan in Cote D'ivoire in October 2010. This office caters for the Francophone West and North African markets. We are exploring the possibility of opening additional branch offices in other parts of Africa.

Rebranding

Kenya Re was set up in 1970 making it 41 years old in year 2011. After these 41 years of operation it is imperative to rebrand the Corporation and give it a fresh appeal. We changed our corporate colors from brown to red, blue and grey which gives a feeling of a warm company that stakeholders would desire to do business with. We changed our logo as well in addition to other internal and external changes geared to increased efficiencies and effectiveness in all operational and strategic perspectives.

Our new look says **"I am a fresh, vibrant and professional reinsurer"**. Our new revitalized logo depicts a reinsurer that reaches out across its chosen markets as an international player with Kenya roots. It represents a company that is aggressive and strong; one that has **"African experience and global wisdom"**.

Information and Communication Technology

Over the years, we have deployed various ICT systems to serve our various business segments. We are currently engaged in the process of acquiring and implementing a new integrated ICT platform. Our objective is to obtain the best ICT system to run our business in the most cost efficient manner.

Staff

Sustainable growth can only be realized through talented and highly skilled staff compliment. The Corporation hired many managers in addition to retaining its pool of technically qualified and experienced professionals. This is critical to customer service delivery and value creation for stakeholders. The company is committed to creating a pool of motivated and well remunerated workforce, which it recognizes as the most valuable capital without which its corporate objectives cannot be realized.

Corporate Social Responsibility (CSR)

Kenya Re is a responsible corporate citizen. It is committed to the welfare of the societies it does business in. While recognizing the need to generate profits and maximize shareholders' value, it equally fully appreciates it has to have a human face in dealing with society. We have dedicated a part of our profits to giving back to the community through corporate social responsibility.

Our CSR activity in year 2011 focused on people living with disabilities. We rolled out a robust corporate social responsibility programme dubbed "Niko Fiti" - ability beyond disability. Through this initiative, we provided assistive devices to persons with disabilities. We also focused on distigmatising disability in the Kenyan society.

The program has been very successful and has earned us growing goodwill in the Kenyan society and positive publicity in general. We are gratified to note the positive impact this project has had in integrating beneficiaries into social and community life. We are keen to ensure its sustainability. We are partnering with business entities of like minds to ensure continuity of this noble project.

The future

We believe we have the right strategy to navigate through the inevitable challenges that lie ahead in the many economies we will do business in. Our core objective will be to achieve robust sustainable and disciplined growth. We will focus to maximize stakeholders value and positively contribute to the development of the insurance markets in our chosen jurisdictions. Offering quality service and efficient operations shall remain our hallmarks.

Maintaining our quality management system certification (ISO 9001:2008), financial strength and credit ratings as well as pursuit of improvements under the performance contracting will remain firmly embedded in our objectives. These should continue to drive efficiencies and act as a framework around which we will execute best practices.

We will scan the environment to spot and seize opportunities as we fully utilize our strengths to generate value. We will seek to avoid or manage threats posed by the environment. Following the recent exploratory discovery of oil in Kenya we will focus on developing capacity for oil and gas underwriting for our market with a view to fully exploiting this new opportunity.

Conclusion

I would like to express my gratitude to the board of directors and stakeholders support. None of what we have achieved would have been possible without this support. Hence, on my own behalf and that of the management and staff of Kenya Re, I thank all our customers and business associates for their continued patronage and support to our business. I profoundly recognize the hard work and commitment by my colleagues who made the achievement of these wonderful results a reality.

We believe that our newly rebranded outlook and 41 year old promise of commitment to deliver quality reinsurance services to our customers and value to our stakeholders shall continue to drive our business in 2012 and beyond.

Thank you



Jadiah Mwarania
Managing Director

TAARIFA YA MKURUNGENZI MSIMAMIZI



Matokeo

Shirika hili lilipata matokeo mazuri katika vitengo vyake vyote vya utendakazi katika mwaka 2011. Bima zilizotolewa, shughuli za kifedha, upataji faida, rasilmali zote miongoni mwa vigezo vingine vilichangia kupatikana kwa ustawi mkubwa katika mwaka 2011. Matokeo haya mazuri yalitokamana hasa na mazingira shwari ya uchumi wa kitaifa/kimataifa, matangazo zingatifu ya huduma za shirika kwenye masoko pamoja na uteuzi mzuri wa masoko ya bima, utoaji bima wenye busara na usimamizi mzuri wa malipo ya bima, uzingatiaji wa shughuli za kuwekeza na mseto wa vitengo vya uwekezaji pamoja na ubunifu katika ustawishaji wa bidhaa na utoaji huduma nchini Kenya.

Matokeo ya kifedha

i) Utoaji wa bima

Katika mwaka 2011, jumla ya bima iliyochukuliwa iliongezeka kwa asilimia 33 kutoka Ksh4.9 bilioni mwaka wa 2010 hadi Ksh6.6 bilioni mwaka wa 2011. Malipo ya bima yaliyopatikana baada ya kuondoa gharama, yaliongezeka kutoka Ksh 4.2 bilioni mwaka wa 2010 hadi Ksh 5.7 bilioni mwaka wa 2011, ambalo ni ongezeko la asilimia 34. Ukuaji katika jumla ya bima ulitokana na utangazaji bidhaa/huduma kwa dhati na uzingativu, ambao ulituwezesha kupata soko jipya la kibiashara katika masoko ya Kenya na kimataifa. Tuliimarisha mahusiano yetu na mawakala na watoa bima kuu na kuanzisha bima mpya kwa tabaka la kibiashara kama vile bima ya ghasia za kisiasa, hatari za kilimo na bima ya Kiislamu almarufu Re-takafu.

Malipo ya bima baada ya kuondoa gharama yalikua kwa asilimia 44 kutoka Ksh 2.0 bilioni hadi Ksh 2.9 bilioni mnamo 2011. Hali hii kwa kiasi fulani ilisababisha ustawi mkubwa wa kibiashara katika kipindi cha miaka hiyo miwili sawia na ada kutoka kwa shughuli za baharini na hasara za mioto katika ngazi za kimataifa. Shirika hili linabakia kujitolea kwa utoaji bima wenye busara kwa kuchanganua kwa makini makubaliano ya kibiashara kwa lengo la kudhibiti hasara. Tulifanikiwa kushauriana kuhusu mipango bora ya ufufuzi wa kiuchumi katika mwaka 2011.

ii) Uwekezaji

Kitengo chetu cha uwekezaji kilikua kutokana na mtiririko mzuri wa kifedha baada ya kuondoa gharama katika mwaka 2011. Japo faida ya uwekezaji kutokana na biashara kwenye soko la hisa ilihasiwa na matokeo mabaya ya soko hilo, faida kutokana na rasilmali za kudumu na mapato ya kodi ya rasilmali yalifanya imara jumla ya faida. Mapato ya uwekezaji yalipungua kwa asilimia 14 kutoka Ksh1.6 bilioni kwenye mwaka wa 2010 hadi Ksh1.4 bilioni katika mwaka wa 2011. Tulizingatia uimarishaji faida kutokana na kitengo chetu cha uwekezaji kupitia kwa usimamizi makinifu katika kitengo hicho.

iii) Matokeo ya kijumla

Faida kabla ya ushuru ilikua kwa asilimia 23 kutoka Ksh1.6 bilioni mnamo 2010 hadi Ksh2 bilioni katika mwaka wa 2011. Ongezeko hili la faida lilitokana hasa na mapato thabiti ya uwekezaji na hatua za kudhibiti gharama ambazo zilipelekea pesa za matumizi ya utendakazi kukua kwa asilimia 11, kikiwa kiwango cha chini kuliko mfumko wa bei kwa wastani kwenye mwaka wa 2011. Faida baada ya ushuru iliongezeka kwa asilimia 24 kutoka Ksh1.4 bilioni katika 2010 hadi Ksh1.9 bilioni kwenye mwaka wa 2011.

iv) Uhalisia wa kiwango cha kifedha

Rasilmali za shirika kwa jumla zilikuwa kutoka Ksh.17.2 bilioni mnamo 2010 hadi Ksh.19 bilioni katika mwaka wa 2011, ambao ni ukuaji wa asilimia 11. Fedha za wenye hisa ziliongezeka kwa asilimia 9 kutoka Ksh.10.5 bilioni hadi Ksh.11.5 bilioni. Ongezeko hili la nguvu za kifedha za shirika hili linatokana na makadirio ya juu yaliyofanywa na mashirika ya kimataifa ya ukadiriaji fedha ikiwemo A.M. BEST.

Masoko

Kwa kuzingatia maono yetu ya kuwa shirika bora zaidi la bima katika masoko yetu teule, tuliendelea kuandama ustawishaji masoko yetu makuu na mbinu za kuwaridhisha wateja wetu. Tulithamini maslahi ya wateja wetu kwa kuongeza thamani katika utendakazi wao kupitia mafunzo na msaada wa kiufundi. Katika mwaka 2011, tuliandaa semina za kiufundi na makongamano kuhusu bima kuu katika mataifa ya Kenya, Cameroon, Burundi na Tanzania.

Kadhalika, tulitoa msaada wa kiufundi na kifedha kwa mashirika ya bima yaliyokuwa yanaanzisha bidhaa na huduma mpya. Hii ilikuwa hasa katika mashirika madogo

TAARIFA YA MKURUNGENZI MSIMAMIZI (continued)

madogo ya bima, kilimo na hasara za athari za kisiasa. Hatua hii iliongeza biashara yetu na uaminifu miongoni mwa wateja.

Kufunguliwa kwa afisi za nyanjani

Kwa muda mrefu sasa, shirika hili limetegemea afisi yake kuu kuhudumia wateja wake wote walio katika mabara ya Afrika, Mashariki ya Kati na Asia. Ijapokuwa njia hii imefanikiwa kwa miaka mingi, haja kubwa iliyopo juu ya kuridhisha wateja wetu hasa katika utoaji huduma pamoja na haja ya kusimamia vyema gharama ya kuendesha biashara, imezua wazo la kuanzisha afisi za kimaeneo. Tumeamua kuandama mfumo wa afisi za nyanjani ili kuimarisha huduma zetu kwa wateja wetu wanaoendelea kuongezeka katika masoko teule. Tulifungua tawi letu la kwanza jijini Abidjan – Afrika ya Magharibi, mwezi wa Oktoba mwaka 2010. Afisi hii inashughulikia masoko ya mataifa ya Afrika Magharibi na Kaskazini ambayo huzungumza Kifaransa. Tunapima uwezekano wa kufungua matawi zaidi katika maeneo mengine ya Afrika.

Uzinduaji upya wa bidhaa na huduma zetu

Kenya Re ilianzishwa mnamo 1970 na hadi sasa ina umri wa miaka 41. Baada ya miaka hii 41 ya utendakazi imekuwa muhimu kuipa sura mpya na mwamko wa kisasa. Tulibadili rangi zetu za kishirika kutoka rangi ya hudhurungi hadi nyekundu, bluu na kijivu zinazotoa hisia ya kampuni iliyo shwari katika mazingira yote na ambayo hata washikadau wake wanaweza kupenda kufanya biashara nayo. Pia tulibadili nembo yetu pamoja na mabadiliko mengine ya ndani na nje kwa lengo la kuimarisha na kuonyesha ushupavu wetu katika utoaji huduma na ubora katika ngazi zote za utendakazi na mikakati.

Kauli mbiu yetu mpya inasema “MIMI NI MWANABIMA MKUU ALIYE FRESHI, MWENYE NGUVU NA MTAALAMU”. Nembo yetu mpya inaashiria mwanabima mkuu ambaye anafikia masoko yake yote teule kama mshirika wa kimataifa mwenye mizizi nchini Kenya. Inawakilisha kampuni ambayo ina ukakamavu na yenye nguvu; ile ambayo ina “TAJIRIBA YA KIAFRIKA NA BUSARA YA KIMATAIFA”.

Teknolojia ya habari na mawasiliano (teknohama)

Kwa miaka sasa, tumesambaza mifumo kadha ya Teknolojia ya Habari na Mawasiliano katika vitengo vyetu kadha vya kibiashara. Kwa sasa tunashughulikia kupata na kutekeleza msingi mpya na shirikishi wa Teknolojia ya Habari na Mawasiliano. Lengo letu ni kupata mfumo bora zaidi wa Teknologia kuendesha biashara yetu katika njia iliyo nafuu na bora zaidi.

Wafanyakazi

Ukuaji wa kila siku unaweza tu kupatikana kupitia ushirikiano wa wafanyakazi wenye vipawa na maarifa ya juu. Shirika hili liliijiri mameneja wengi na kuongezea kwa wataalamu wake wengi waliofuzu na wenye ujuzi. Hii ni muhimu katika utoaji huduma kwa wateja na uongezaji thamani kwa biashara ya washikadau. Kampuni hii imejitolea kuunda kundi la wafanyakazi wenye motisha kemkem na wanaolipwa vizuri, wanaotambuliwa kama mtaji wenye thamani zaidi, na ambao bila wao malengo ya kishirika hayawezi kupatikana.

Majukumu ya kishirika kwa jamii (CSR)

Kenya Re ni shirika la kiraia linalowajibika. Linajitolea kwa maslahi ya jamii inazofanya biashara nazo. Huku shirika hili linapojitahidi na mikakati ya kuzalisha faida na kutunza vyema

zaidi thamani ya wenye hisa, hata hivyo inatambua kuwa ni bora kuwa na sura ya kiutu inapohusiana na maswala ya kijamii. Tumetenga sehemu ya faida yetu kusudi kuirejesha kwa jamii kupitia Majukumu ya Kishirika kwa Jamii (CSR). Shughuli zetu za CSR katika mwaka 2011 zililenga wale mavu. Tulianzisha mpango madhubuti wa jukumu la kishirika kwa jamii tulioita 'NIKO FITI' – UWEZO UNAOZIDI ULEMAVU. Kupitia jitihada hii, tulitoa vifaa vya kimsaada kwa wale mavu. Pia tulilenga kuondoa unyanyapaa dhidi ya wale mavu katika jamii ya Kenya.

Mpango huo umekuwa na ufanisi mkubwa na umetuletea heshima kuu katika jamii ya Kenya na utambulisho mkuu miongoni mwa umma kwa jumla. Tuna furaha zaidi kutambua athari nzuri ambayo mpango huu umezua katika utangamanishaji wa walionufaika, hasa katika maisha ya jamii. Tumemakiniha ili kuhakikisha tunaadumisha mpango mzima. Tunashirikiana na mashirika ya kibiashara yenye maono kama yetu ili kuhakikisha maendeleo ya mpango huu muhimu yanafanikiwa.

Mustakabali wetu

Tunaamini kwamba tuna mkakati mwafaka wa kuogelea katika wimbi la changamoto zisizoepukika. Kimsingi, kuna mikingamo mingi iliyo mbele yetu katika mawanda mengi ya uchumi ambayo tutafanya biashara kwayo. Lengo letu kuu litakuwa kufikia ustawi madhubuti na wa kinidhamu. Tatalenga kutunza vyema thamani ya washikadau na kuchangia kikamilifu katika ustawi wa masoko ya bima katika mipaka yetu teule. Kutoa huduma bora na utendakazi mzuri vitabakia kuwa ngome yetu.

Tunapodumisha viwango vyetu vya mfumo bora wa usimamizi (ISO 9001:2008), nguvu za kifedha na ufaafu wa kutoa pesa sawa na jitihada za kujiimarisha chini ya muongozo wa utoaji wa kandarasi, zitabakia kujikita kwa kani katika malengo yetu. Hii inafaa kwa kuendeleza ubora na kama muongozo tutakaotumia kuendeleza matendo mema. Tutachuja mazingira ili kutambua na kufumbata nafasi zilizopo tunapoendelea kutumia vyema nguvu zetu katika kufikia thamani. Tutajitahidi kuepuka au kudhibiti hatari zinazozuliwa na mazingira.

Kufuatia ugunduzi wa majuzi wa mafuta ya vipululu nchini Kenya tutazingatia kustawisha uwezo wetu katika utoaji bima ya mafuta na gesi katika masoko yetu kwa dhamira ya kuvinjari kikamilifu nafasi hii mpya.

Hitimisho

Ningependa kutoa shukrani zangu za dhati kwa halmashauri ya wakurugenzi. Hakuna kile ambacho tungefanikiwa katika yote yaliyopatikana ingalikuwa ni kwa msaada wao mkubwa. Kwa hivyo, kwa niaba yangu na wasimamizi na wafanyakazi wa Kenya Re, ningependa kuwashukuru wateja wetu wote na washirika wetu wa kibiashara kwa malezi yao imara na msaada wao kwa biashara yetu. Kwa heshima natambua bidii ya mchwa na kujitolea kwa wenzangu waliowezesha ufanisi huu wa kipekee.

Tunaamini kuwa sura yetu mpya na ahadi ya miaka 41 ya kujitolea katika utoaji huduma bora za bima kuu kwa wateja wetu na thamani kwa washikadau wetu vitaendelea kuendesha biashara yetu katika mwaka wa 2012 na katika siku zijazo.

Shukrani



Jadhah Mwarania
Mkurugenzi Msimamizi

MANAGEMENT TEAM PROFILES



JADIAH MWARANIA, 47 – MANAGING DIRECTOR

Mr. Mwarania was appointed the Managing Director of the Kenya Re on 12th April 2011. He has worked with the Corporation for over 20 years and was previously the General Manager (Reinsurance Operations) and Acting Managing Director. He holds a Bachelor of Commerce (B.com.) (Hons.) and Master of Business Administration (MBA) degrees from The University of Nairobi. He is a Fellow of the Chartered Insurance Institute of London (FCII), and the Insurance Institute of Kenya (FIK). Mr. Mwarania is a Chartered Insurer (CI) of the Insurance Institute of London, the highest and the most prestigious level of professional achievement with the Institute, and an Associate Member of the Kenya Institute of Management (AMKIM). He is also a member of the Board of Directors of Industrial Development Bank (IDB), an Alternate Director on the Board of Directors of Zep Re (PTA Reinsurance Company) and the Hon. Secretary and member of the Executive Committee (EXCO) of the Association of Kenya Reinsurers (AKR). He is an Alternate Director of the Board of Directors of Africa Reinsurance Corporation (Africa Re). He is also a Committee Member of the Insurance Training and Education Trust (ITET) Board on Finance and Development of the College of Insurance of Kenya.



MICHAEL J. MBESHI, 48 - GENERAL MANAGER (PROPERTY & PROCUREMENT)

Mr. Mbeshi joined Kenya Reinsurance Corporation Limited on 19th October 1994 as a Premises Officer and was deployed in Property Department. Mr. Mbeshi has risen through the ranks to his current position of General Manager, Property & Procurement. Mr. Mbeshi holds a Bachelor of Arts (Land Economics) from the University of Nairobi. He is a member of the Institute of Surveyors of Kenya and the Kenya Institute of Management. He is a holder of MBA from ESAMI (Eastern and Southern African Management Institute). Prior to joining Kenya Re Mr. Mbeshi had worked as an Urban Valuers with Ministry of Lands. He is a Board Member of IDB Capital Ltd, where he is an alternate Director. He also serves as the Chairman of the Investment Committee of IDB. He has over 22 years working experience.



BETH S. NYAGA, 46 - GENERAL MANAGER (REINSURANCE OPERATIONS)

Beth S. Nyaga is the General Manager, Reinsurance Operations. She joined the Corporation in the year 1990 as a Management trainee. She has a wealth of experience in insurance and Reinsurance. She has attended several insurance/reinsurance courses as well as professional management courses locally and internationally.

She holds a Bachelor of Commerce (B.COM) (HONS.) degree from the University of Nairobi and as well as a Master of Business Administration (MBA) degree from the East and Southern Africa Management Institute. She is a Fellow and an Associate of the Chartered Insurance Institute of London (FCII & ACII) and the Insurance Institute of Kenya (IIK). She is also a Chartered Insurer.



ROGERS KINOTI M'ARIBA, 35 - GENERAL MANAGER, FINANCE & INVESTMENTS

Mr. Kinoti was appointed the General Manager in charge of Finance & Investments in September 2011. Prior to his appointment, Mr. Kinoti worked in a similar capacity at LAPTRUST. He brings on board valuable skills and a wealth of experience in Finance, Investments and Strategy formulation having worked for several years in various financial market institutions especially in Fund Management.

Mr. Kinoti holds a Master of Arts Degree and a Bachelor of Arts Degree in Economics from the University of Nairobi. He is a member of both the Institute of Certified Public Accountants of Kenya (ICPAK) and the Institute of Certified Public Secretaries of Kenya (ICPSK).



HABIL WASWANI, 35 – CORPORATION SECRETARY AND PRINCIPAL LEGAL OFFICER

Mr. Waswani joined the Corporation on 3rd August 2009 as the Corporation Secretary and Principal Legal Officer. He held a similar position at Diamond Trust Bank Kenya Limited before joining the Corporation, and has over 10 years experience in commercial and corporate law practice. Mr. Waswani holds a Bachelor of Laws (LL.B) Degree from The University of Nairobi and a Diploma in law from the Kenya School of Law. He has attended several professional management and governance courses. He is holder of Global Executive Master of Business Administration (GEMBA) Degree offered by the United States International University in collaboration with the Columbia Business School, Columbia University, New York. Besides being an Advocate of the High Court of Kenya and a registered Certified Public Secretary, Mr. Waswani is also a member of the Institute of Directors, Law Society of Kenya and the Institute of Certified Public Secretaries of Kenya.

STATEMENT ON CORPORATE GOVERNANCE

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

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

Board of Directors

The roles and functions of the Chairman and the Managing Director are distinct and their respective responsibilities clearly defined within the Corporation. The Board comprises of ten (10) directors nine (9) of whom are independent non-executive directors including the Chairman. The Board defines the Corporation's strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues. The directors bring a wealth of experience and knowledge to the Board's deliberations. Except for direction and guidance on general policy, the Board delegates authority of its day-to-day business to the Management through the Managing Director. The Board nonetheless is responsible for the stewardship of the Corporation and assumes responsibilities for the effective control over the Corporation. The Corporation Secretary attends all meetings of the Board and advises the Board on all corporate governance matters as well as prevailing statutory requirements.

Board Meetings

The Board holds meetings on a regular basis while special meetings are called when it is deemed necessary to do so. The Board held four (4) regular and nine (9) special meetings during the year under review. As the Corporation is a State Corporation, the Inspector General of State Corporations from time to time attends meetings of the Board and Board Committees for oversight and advisory purposes in accordance with the State Corporations Act.

Committees of the Board

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

a) Audit Committee

The membership of the Audit Committee is comprised as follows:

Everest Lenjo	- Chairman
Jacob Haji	
Nelson Kuria	
Permanent Secretary - Treasury	

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

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

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

b) Risk & Compliance Committee

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

Mutwiri Ikiao	- Chairman
Gladys Mboya	
Jacob Haji	
Jadiah Mwarania	
Permanent Secretary - Treasury	

The responsibilities of this Committee include:

- Provision of general oversight in risk and compliance matters in the Corporation.
- Ensuring quality, integrity, effectiveness and reliability of the Corporation's risk management framework.

STATEMENT ON CORPORATE GOVERNANCE

- Setting out the nature, role, responsibility and authority of the risk management and the compliance function of the Corporation.
- Defining the scope of risk management work.
- Ensuring that there are adequate risk policies and strategies in place to effectively identify, measure, monitor and appropriately mitigate the various risks which the Corporation is exposed to from time to time.

The Risk & Compliance Committee was formally set up in the second half of 2011. The Committee held two (2) regular meetings during the year under review.

c) Human Resources Committee

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

Gladys Mboya	- Chairman
Dr. Iruki Kailemia	
Felix Okatch	
Everest Lenjo	
Jadiah Mwarania	
Permanent Secretary - Treasury	

The Committee reviews and provides recommendations on issues relating to all human resources matters including, career progression, performance management, training needs, job transfers, staff recruitment, staff placements, promotions, demotions, discipline and staff welfare. The Committee held four (4) regular meetings and eight (8) special meeting in the year under review.

d) Finance Investment and Tender Oversight Committee

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

Felix Okatch	- Chairman
Mutwiri Ikiao	
Dr. Iruki Kailemia	
Jadiah Mwarania	
Permanent Secretary - Treasury	

The Committee assists the Board in fulfilling its oversight responsibilities relating to the Corporation's finance, information and technology, procurement, investment strategies, policies, projects and related activities. The Committee held four (4) regular meetings and two (2) special meetings in the year under review.

Risk Management and Internal Controls

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

Creating Shareholders' Value

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

Directors Emoluments and Loans

The aggregate amount of emoluments paid to directors for services rendered during the financial year 2011 are disclosed in the notes to the financial statements under note 43. Non-executive directors are paid sitting allowances for every meeting attended. There were no arrangements for the directors to acquire benefits through the acquisition of the Corporation's shares. Loans and advances to directors as at the end of the year are also disclosed in the financial statements under note 43.

Directors' interest and distribution of shareholding.

Directors' interests in the shares of the Corporation and the distribution of the Corporation's shareholding and analysis of the ten largest shareholders as at 31 December 2011 were as follows:

STATEMENT ON CORPORATE GOVERNANCE

Directors' interests as at 31 December 2011:

Name of Directors

Permanent Secretary to the Treasury of Kenya
 Nelius Kariuki
 Gladys Mboya
 Jacob Haji Ali
 Dr. Iruki Kailemia
 Everest Lenjo
 Felix Okatch
 Jadhiah Mwarania

Major Shareholders

Permanent Secretary to the Treasury of Kenya
 National Social Security Fund
 Standard (K) Nominees Ltd A/C 9230
 Co-op Custody A/c 4003
 Standard Chartered Nominees Non-resd. A/C 9690
 Standard Chartered Nominees A/C 9187
 Continental Reinsurance PLC
 Standard Chartered Nominees A/C KE10881
 Cannon Assurance (Kenya) Limited
 Kenya Commercial Bank Nominees Limited A/C 744B

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

Shares Range

1 - 1,000
 1,001 - 5,000
 5,001 - 10,000
 10,001 - 100,000
 100,001 - 1,000,000
 1,000,001 - 5,000,000
 5,000,001 - 10,000,000
 10,000,001 & above

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

Nationality

Local Individual Investors
 Local Institutional Investors
 Foreign Investors

	Number of shares	% Shareholding
	360,000,000	60
	33,009	-
	15,772	-
	2,003	-
	1,318	-
	1,000	-
	100	-
	22	-
	360,053,224	60
	Number of shares	% Shareholding
	360,000,000	60.000
	20,089,638	3.348
	9,058,129	1.510
	7,111,215	1.185
	4,000,000	0.667
	3,356,136	0.559
	2,768,842	0.461
	2,514,811	0.419
	2,365,600	0.394
	2,215,755	0.369
	413,480,126	68.912
Shareholders	Number of Shares	% Shareholding
98,042	28,914,926	4.82
15,804	29,151,824	4.86
1,663	11,645,154	1.94
1,530	38,960,269	6.49
176	51,032,517	8.51
24	44,036,328	7.34
2	16,169,344	2.69
2	380,089,638	63.35
117,243	600,000,000	100
Shareholders	Shares held	% Shareholding
109,275	108,108,637	18.02
7,372	481,333,807	80.22
596	10,557,556	1.76
117,243	600,000,000	100



Director



Director

CORPORATE SOCIAL RESPONSIBILITY

In 2011 Kenya Re reviewed its strategy of supporting several initiatives and opted to sustainably focus on one major Corporate Social Responsibility project to establish impactful long term stakeholder value. Various considerations were made including taking an initiative in education and environment or support for persons with disability.

The Corporation opted for the latter for its uniqueness as no other corporation had adopted such a CSR initiative before and recognizing the huge magnitude of need that existed in this area. The campaign was dubbed 'Niko Fiti' Ability Beyond Disability.

'NIKO FITI' Ability Beyond Disability Campaign

The objective of the campaign is to lift the stigma towards persons living with disability and to provide assistive devices that will enable them have accessibility and mobility to engage in daily nation building activities. This will integrate them into social and community life.

The Corporation has committed and will continue to commit 1% of its annual profits to this initiative. To create awareness on the campaign and sensitize on issues of persons with disability, Standard Group (SG) was approached to be the media partner. The other implementing partner approached is Association of the Physically Disabled of Kenya (APDK) whose role is to provide direct linkage and platform to project beneficiaries. The Corporation officially launched the "Niko Fiti" Ability Beyond Disability, Corporate Social Responsibility Campaign on November 3rd 2011 at an event officiated by the Vice President of Kenya, Hon Kalonzo Musyoka. During the launch assistive devices comprising of wheel chairs, tricycles, cushions, walking Frames, crutches, white canes and boxes of incontinence urine bags were distributed to beneficiaries through Organizations of Persons with Disabilities.

The beneficiaries were derived from a needs assessment exercise that had been carried out by Kenya Re in conjunction with Association of the Physically Disabled of Kenya (APDK). The devices facilitated their mobility and enabled them to bolster their social and economic stature.

'NIKO FITI' Fundraising campaign



Following the campaign launch on November 3rd 2011, The Standard Group (SG), the campaign media partners gave huge pre and post-launch publicity which attracted a lot of public interest with inquiries on how members of the public could participate in the campaign and needy persons requesting for assistive devices.

Kenya Re deemed it fit to launch a fundraising campaign to raise more funds to boost the Kenya Re's 2011 budget to provide more assistive devices.



The 45-day fundraising campaign was launched on December 2nd 2011 at Safari Park Hotel.

Kenya Re opened a bank account specific for "Niko Fiti" Campaign where all monies donated will be held and disbursed. This will assist in monitoring use of funds and facilitate auditing of the same to allow accountability of the public funds. The Corporation also obtained a mobile money service to enable members of the public to contribute to the campaign.

The Bank Account details are:

Bank: KCB
Branch: Moi Avenue
Account Name: Kenya Re – Niko Fiti A/c
Account Number: 1132291917

Mobile Money Account
Mpesa Pay Bill 505601, Niko Fiti Account

You can write a cheque or Mpesa any amounts and join us and make the difference!



ACTUARY'S CERTIFICATE

Kenya Reinsurance Corporation Limited
Actuarial Valuation of the Life Fund as at 31 December 2011


Actuary's Certificate

I, James Israel Omanyala Olubayi of Alexander Forbes Financial Services (EA) Ltd, Landmark Plaza, 10th Floor, Landmark Plaza Argwings Kodhek, P.O. Box 52439 Nairobi, being an Actuary duly qualified in terms of Section 2 of the Insurance Act having conducted an investigation in terms of Sections 57 and 58 of that Act as at 31 December 2011 do hereby certify as under:-

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

29 March 2012

Date



James I. O. Olubayi

Fellow of the Institute of Actuaries

REPORT OF AUDITOR GENERAL

REPUBLIC OF KENYA

Telephone: +254 20 342330
Fax: +254 20 311482
E-mail: aug@kenao.go.ke
Website: www.kenao.go.ke



P. O. Box 30084-00100
NAIROBI

Date:

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON KENYA REINSURANCE CORPORATION LIMITED FOR THE YEAR ENDED 31 DECEMBER 2011

REPORT ON THE FINANCIAL STATEMENTS

The financial statements of Kenya Reinsurance Corporation Limited set out at pages 32 to 71, which comprise the statement of financial position as at 31 December 2011, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information have been audited on my behalf by Deloitte and Touche, auditors appointed under Section 39 of the Public Audit Act, 2003. The audit was carried out in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

Management's Responsibility for the Financial Statements

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

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

Responsibility of the Auditor-General

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

• 1

REPORT OF AUDITOR GENERAL

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

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

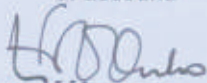
Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 December 2011, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards and comply with the Companies Act, Cap. 486 of the Laws of Kenya.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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



Edward R.O. Ouko
AUDITOR-GENERAL

Nairobi

20 April 2012

RIPOTI YA UKAGUZI WA MAHESABU YA KIFEDHA

Ripoti ya mkaguzi mkuu wa mahesabu ya kifedha ya Kenya Reinsurance Corporation Limited ya mwaka uliomalizikia Desemba 31 2011. Ripoti ya taarifa za kifedha.

Taarifa za kifedha za Kenya Reinsurance Corporation Limited kama zilivyoandikwa katika ukurasa wa 32 hadi kwa 71, zinazohusisha hali halisi ya taarifa za kifedha kufikia tarehe 31 Desemba 2011, na taarifa kamili ya mapato, taarifa ya mabadiliko ya mgao wa mapato na taarifa ya fedha zinazolingia kwenye shirika kwa mwaka ulioisha, mukhtasari wa sera maalum za uhasibu na taarifa nyinginezo zimekaguliwa kwa niaba yangu na shirika la Deloitte and Touche, wakaguzi wa kifedha walioteuliwa chini ya Sehemu ya 39 ya Sheria ya Ukaguzi wa Kifedha ya Umma, 2003. Ukaguzi huu ulishughulikiwa kuambatana na Kifungu cha 229 cha Katiba ya Kenya na sehemu ya 14 ya Sheria ya Ukaguzi wa Kifedha ya Umma, 2003. Wakaguzi wa Mahesabu wamenikabidhi taarifa ya ukaguzi wao kuambatana na ripoti yao, kama ninavyofahamu na kwa niaba yangu nimeridhika kwamba maelezo yao yalikuwa muhimu kwa shabaha ya ukaguzi uliopo.

Jukumu la Wasimamizi kwenye Taarifa za Kifedha

Wasimamizi wana jukumu ka kuandaa na kuwasilisha taarifa hizo za kifedha kuambatana na Viwango vya Kimataifa vya Uwasilishaji wa Taarifa za Kifedha na katika uthibiti huo wa ndani huku wasimamizi wakielezea umuhimu wa kuwasilisha taarifa za kifedha ambazo hazina makosa, aidha kutokana na ufisadi ama makosa ya kibinadamu.

Wasimamizi pia wanawajibika katika utoaji wa taarifa za kifedha kwa Mkaguzi Mkuu wa Kifedha kuambatana na sheria ya sehemu ya 13 ya Sheria ya Ukaguzi wa Kifedha ya Umma, 2003.

Majukumu ya Mkaguzi Mkuu wa Mahesabu

Jukumu langu kuu ni kutoa maoni kuhusu ripoti hizi za kifedha kuambatana na ukaguzi na ripoti zenyewe kwa kuambatana na sheria ya sehemu ya 15 ya Sheria ya Ukaguzi wa Kifedha ya Umma, 2003. Ukaguzi huo uliendeshwa kulingana na Viwango vya Kimataifa vya Ukaguzi wa Kifedha. Viwango hivyo vinahitaji ufuatiliaji wa taratibu za kimaadili na kwamba ukaguzi huo uwe umepangwa na kutekelezwa ili kutoa hakikisho la usawa kwenye taarifa hizo za kifedha.

Ukaguzi wa kifedha unahusisha taratibu za utendakazi ili kupata ithibati kamili ya ukaguzi kuhusu fedha na maelezo ya kina katika taarifa hizo za kifedha. Taratibu zilizochaguliwa hutegemea na maamuzi ya mkaguzi wa kifedha ikiwa ni pamoja na utathmini wa tatizo la utoaji mbaya wa taarifa hiyo, aidha kupitia kwa njia za kifisadi ama makosa ya kibinadamu. Katika utekelezaji wa tathmini hizo mkaguzi wa mahesabu ya kifedha huangalia taratibu za ndani za kiusimamizi zinazofaa kutoa na kuandaa taarifa za kifedha ili kutayarisha mifumo inayofaa kulingana na mazingira hayo, lakini sio kwa lengo la kutoa maoni kuhusu utendakazi na usimamizi wa shirika. Kadhalika, ukaguzi huhusisha uchanganuzi wa sera bora zinazotumika katika uhasibu na umuhimu wa makadirio ya uhasibu unaofanywa na wasimamizi wa shirika, na hali kadhalika utathmini wa jumla wa jinsi ya kuwasilisha taarifa za kifedha.

Nina imani kwamba ushahidi huu wa ukaguzi wa mahesabu uliopokelewa unatosha na unafaa kutoa msingi kamili wa maoni yangu ya ripoti hii ya ukaguzi wa kifedha.

Maoni

Kwa maoni yangu, kwa namna zote, taarifa hizi za kifedha zinadhihirisha uhalisia wa kifedha wa Shirika hili kufikia tarehe 31 Desemba 2011, na pia kuonyesha matokeo yake ya kifedha na mfumo wa mapato ya mwaka ulioisha, kuambatana na Viwango vya Kimataifa vya Utoaji wa Ripoti za Kifedha na kufuata kanuni na vifungu vya sheria za Kampuni, Ibara ya 486 ya Sheria ya Kenya.

RIPOTI YA MAHITAJI YA KISHERIA NA KIUSIMAMIZI

Kama inavyohitajika katika Sheria za Kenya kuhusu Kampuni, natoa taarifa hii kulingana na ukaguzi wa kifedha, kwamba:

- Kama ninavyofahamu na kwa niaba yangu, naamini nimepokea taarifa zote zinazohusiana na ukaguzi huu wa kifedha.
- Kwa maoni yangu, vitabu vilivyokaguliwa kwa njia inayofaa vimehifadhiwa vyema na shirika hili, kama nilivyoelezea katika uchanganuzi wangu; na
- Uhalisia wa taarifa za kifedha za shirika hili unaambatana sambamba na vitabu vya mahesabu ya kifedha vya shirika.

Edward R.O. Ouko
MKAGUZI MKUU WA KIFEDHA
Nairobi
Tarehe 20 Aprili 2012.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	Short term business Shs '000	Long term business Shs '000	Total 2011 Shs '000	Total 2010 Shs '000
Income					
Gross Written Premium		5,631,074	982,810	6,613,884	4,980,900
Outward Reinsurance Premium		(237,861)	(128,069)	(365,930)	(279,993)
Net Written Premium		5,393,213	854,741	6,247,954	4,700,907
Change in unearned premiums		(513,276)	-	(513,276)	(426,994)
Net Earned Premium	6	4,879,937	854,741	5,734,678	4,273,913
Investment Income	7	1,163,045	290,616	1,453,661	1,683,210
Commissions Earned		127	27,075	27,202	29,229
Fair value gains on revaluation of investment properties	15	587,089	97,409	684,498	378,064
Other Income	8	72,093	-	72,093	64,945
Share of profit of associate	18	154,018	-	154,018	79,271
Total Income		6,856,309	1,269,841	8,126,150	6,508,632
Outgo					
Claims & Policyholder benefits		(2,760,228)	(503,516)	(3,263,744)	(2,198,438)
Less: Reinsurers' share of claims		251,244	72,645	323,889	151,460
Net claims and policyholders benefits	9	(2,508,984)	(430,871)	(2,939,855)	(2,046,978)
Commission Payable		(1,438,961)	(290,947)	(1,729,908)	(1,276,881)
Operating & other expenses	10	(683,143)	(89,908)	(773,051)	(698,273)
Provision for asset held for sale	23	-	-	-	(350,000)
Provision for doubtful debts		(646,559)	-	(646,559)	(476,484)
Total outgo		(5,277,647)	(811,726)	(6,089,373)	(4,848,616)
Profit before tax		1,578,662	458,115	2,036,777	1,660,016
Income tax expense	12(a)	(104,470)	(17,723)	(122,193)	(118,625)
Profit for the year after tax		1,474,192	440,392	1,914,584	1,541,391
Other Comprehensive Income / (Loss)					
Fair value gain on available for sale financial assets, net of tax	29	(544,462)	-	(544,462)	502,750
Reclassification adjustments relating to available-for-sale financial assets disposed in the year	7	(237,162)	-	(237,162)	430,824
Share of movement in associate reserves	18	26,697	-	26,697	160,260
Surplus on revaluation of equipment		4,158	-	4,158	-
Deferred tax on revaluation of equipment		(832)	-	(832)	-
Total other comprehensive loss / income for the year		(751,601)	-	(751,601)	232,186
Total comprehensive income		722,591	440,392	1,162,983	1,773,577
Earnings per Share - basic and diluted	13			3.19	2.57

The financial statements were approved by the Board of Directors on 20th April 2012 and were signed on its behalf by;



Principal Officer
Jadiah Mwarani



Director
Everest Lenjo



Director
Felix Okatch

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	Notes	Short term business Shs '000	Long term business Shs '000	Total 2011 Shs '000	Total 2010 Shs '000
Shareholders funds					
Share Capital	32	1,500,000	-	1,500,000	1,500,000
Statutory Reserve	33	-	1,457,106	1,457,106	1,016,714
Revaluation Reserve	33	13,439	-	13,439	8,291
Fair Value Reserve	33	817,768	-	817,768	1,620,935
Retained Earnings	33	7,608,624	-	7,608,624	6,345,426
Other Reserves (Translation reserve)	33	129,548	-	129,548	82,136
Total Shareholders Funds		10,069,379	1,457,106	11,526,485	10,573,502
Assets					
Property & Equipment	16	87,196	-	87,196	86,277
Intangible Assets	17	10,472	-	10,472	19,286
Investment in Associate	18	1,133,445	-	1,133,445	952,730
Investment Property	15	4,405,000	960,000	5,365,000	4,616,500
Receivables arising out of reinsurance arrangements	25	1,127,600	121,375	1,248,975	1,228,234
Premium and loss reserves	26	337,672	-	337,672	508,045
Deferred acquisition costs	20	626,597	-	626,597	498,938
Unquoted equity instruments	21	89,971	-	89,971	66,287
Inventories	22	28,794	-	28,794	37,957
Non current assets held for sale	23	186,858	-	186,858	186,858
Mortgage loans	24	320,074	-	320,074	362,616
Quoted equity instruments	29	2,008,823	-	2,008,823	2,567,509
Deferred tax asset	19	330,551	-	330,551	214,368
Other Receivables	27	42,781	-	42,781	125,214
Corporate bonds	28	48,393	-	48,393	51,209
Tax recoverable	12(C)	15,795	-	15,795	-
Government Securities	30	2,163,303	1,194,279	3,357,582	2,776,617
Deposits in financial institutions	31	2,219,446	1,467,636	3,687,082	2,693,330
Cash & Bank Balances	41	169,732	648	170,380	248,954
Total Assets		15,352,503	3,743,938	19,096,441	17,240,929
Liabilities					
Long term reinsurance Contract Liabilities	34	-	2,285,709	2,285,709	2,150,640
Short term reinsurance Contract Liabilities	35	2,373,622	-	2,373,622	2,212,251
Unearned Premiums	36	2,156,709	-	2,156,709	1,643,433
Payables arising out of reinsurance arrangements	37	393,432	1,123	394,555	288,097
Tax payable	12(c)	-	-	-	52,844
Defined benefit liability	38	118,560	-	118,560	137,751
Other payables	39	240,801	-	240,801	182,411
Total Liabilities		5,283,124	2,286,832	7,569,956	6,667,427
Net Assets		10,069,379	1,457,106	11,526,485	10,573,502

The financial statements on pages 32 to 71 were approved by the board of directors on 20th April 2012 and were signed on its behalf by:



Principal Officer



Director



Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

Notes	Share capital Shs '000	Revaluation reserve Shs '000	Fair value reserve Shs '000	Translation reserve Shs '000	Statutory reserve Shs '000	Retained earnings Shs '000	Total Shs '000
	1,500,000	10,460	1,539,783	69,609	706,710	5,273,363	9,099,925
	-	-	-	-	310,004	1,231,387	1,541,391
	-	(1,175)	81,152	12,527	-	139,682	232,186
	-	(1,175)	81,152	12,527	310,004	1,371,069	1,773,577
14	-	-	-	-	-	(300,000)	(300,000)
	-	(1,242)	-	-	-	1,242	-
	-	248	-	-	-	(248)	-
	1,500,000	8,291	1,620,935	82,136	1,016,714	6,345,426	10,573,502
	1,500,000	8,291	1,620,935	82,136	1,016,714	6,345,426	10,573,502
	-	-	-	-	440,392	1,474,192	1,914,584
	-	4,154	(803,167)	47,412	-	-	(751,601)
	-	4,154	(803,167)	47,412	440,392	1,474,192	1,162,983
14	-	-	-	-	-	(210,000)	(210,000)
	-	1,242	-	-	-	(1,242)	-
	-	(248)	-	-	-	248	-
	1,500,000	13,439	817,768	129,548	1,457,106	7,608,624	11,526,485

At 1 January 2010

Profit for the year
Other comprehensive (loss)/income

Total comprehensive income

Dividends declared - 2009
Transfer of excess depreciation
Deferred taxation thereon

At 31 December 2010

At 1 January 2011

Profit for the year
Other comprehensive (loss)/income

Total comprehensive income

Dividends declared - 2010
Transfer of excess depreciation
Deferred taxation thereon

At 31 December 2011

STATEMENT OF CASH FLOWS

AS AT 31 DECEMBER 2011

Cash flows from operating activities

Cash generated from operations
Interest received on corporate bond
Interest received on government securities
Tax paid in the year

Net cash generated from operating activities

Cash flows from investing activities

Purchase of property and equipment
Proceeds of disposal of equipment

Net cash used in investing activities

Cash flows from financing activities

Dividends paid

Net increase in cash and cash equivalents

Cash and cash equivalents at 1 January
Cash and cash equivalents at 31 December

Notes	2011 Shs '000	2010 Shs '000
40	1,170,825	1,314,017
	5,925	2,922
	270,040	292,774
12(c)	(307,847)	(28,335)
	1,138,943	1,581,378
16	(20,415)	(69,838)
	6,650	-
	(13,765)	(69,838)
14	(210,000)	(300,000)
	915,178	1,211,540
	2,942,284	1,730,744
41	3,857,462	2,942,284

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1 ACCOUNTING POLICIES

a Statement of compliance

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

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

b Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRIC)

(i) *Relevant new standards and amendments to published standards effective for the year ended 31 December 2011*

The following new and revised IFRSs have been applied in the current year and had no material impact on the amounts reported in these financial statements.

Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)

The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. The Corporation continued to disclose such items in the statement of changes in equity and the amendment had no effect on the Corporation's financial statements.

IAS 24 Related Party Disclosures (as revised in 2009)

IAS 24 (as revised in 2009) has been revised on the following two aspects: (a) IAS 24 (as revised in 2009) has changed the definition of a related party and (b) IAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The Corporation is a government related entity. The application of the revised definition of related party set out in IAS 24 (as revised in 2009) in the current year has not resulted in the identification/exemption of related parties that were not identified as related parties under the previous Standard.

Amendments to IAS 32 Classification of Rights Issues

The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to IAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application.

The application of the amendments has had no effect on the amounts reported in the current and prior years because the Corporation has not issued instruments of this nature.

Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement

IFRIC 14 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments had no material effect on the Corporation's financial statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under IFRIC 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognised in profit or loss.

The application of IFRIC 19 has had no effect on the amounts reported in the current and prior years because the Corporation has not entered into any transactions of this nature.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1 ACCOUNTING POLICIES (continued)

b Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRIC) (continued)

(i) *Relevant new standards and amendments to published standards effective for the year ended 31 December 2011 (continued)*

Improvements to IFRSs issued in 2010

The application of Improvements to IFRSs issued in 2010 has not had any material effect on amounts reported in the Corporation's financial statements.

(ii) *Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2011*

New and Amendments to standards	Effective for annual periods beginning on or after
IFRS 7, Financial Instruments: Disclosures - Amendments enhancing disclosures about transfers of financial assets	1 July 2011
IFRS 9, Financial Instruments - Classification and Measurement of financial assets	1 January 2015
IFRS 9, Financial Instruments - Accounting for financial liabilities and derecognition	1 January 2015
IFRS 12, Disclosure of Interests in Other Entities	1 January 2013
IFRS 13, Fair Value Measurement	1 January 2013
IAS 1, Presentation of Financial Statements - presentation of items of other comprehensive income	1 July 2012
IAS 12, Income Taxes - Limited scope amendment (recovery of underlying assets)	1 January 2012
IAS 19, Employee Benefits (2011)	1 January 2013
IAS 27, Separate Financial Statements (2011)	1 January 2013
IAS 28, Investments in Associates and Joint Ventures (2011)	1 January 2013

(iii) *Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 31 December 2011 and future annual periods.*

IFRS 7, Financial Instruments disclosure

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors do not anticipate that these amendments to IFRS 7 will have a significant effect on the Corporation's disclosures regarding transfers of trade receivables previously affected (see note 25.2). However, if the Corporation enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

IFRS 9, Financial Instruments

IFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1 ACCOUNTING POLICIES (continued)

b Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRIC) (continued)

- (iii) *Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 31 December 2011 and future annual periods (continued)*

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The Corporation is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on after 1 January 2015.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

IFRS 13 Fair Value Measurements

IFRS 13 replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. The IFRS is the result of joint efforts by the IASB and FASB to develop a converged fair value framework. The IFRS defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements).

With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs:

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

The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Corporation is yet to assess IFRS 13's full impact on the amounts reported in the financial statements and the extent of the financial statement disclosures and intends to adopt IFRS 13 starting 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (2011)

This standard supersedes IAS 28, Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

The standard is effective for annual periods beginning on or after 1 January 2013. The Corporation will apply this amendment prospectively. The directors, however, anticipate no material impact to the Corporation's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1 ACCOUNTING POLICIES (continued)

b Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRIC) (continued)

- (iii) *Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 31 December 2011 and future annual periods (continued)*

Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)

These amend IAS 12, Income Taxes to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 Investment Property will, normally, be through sale. As a result of the amendments, SIC-21 Income Taxes - Recovery of Revalued Non-Depreciable Assets would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn.

The above amendments are generally effective for annual periods beginning on or after 1 January 2012. The Corporation has early adopted this amendment.

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)

These amend IAS 1 Presentation of Financial Statements to revise the way Other Comprehensive Income (OCI) is presented.

The amendments:

- Preserve the amendments made to IAS 1 in 2007 to require profit or loss and OCI to be presented together, i.e. either as a single 'statement of profit or loss and comprehensive income', or a separate 'statement of profit or loss' and a 'statement of comprehensive income' – rather than requiring a single continuous statement as was proposed in the exposure draft.
- Require entities to group items presented in OCI based on whether they are potentially reclassifiable to profit or loss subsequently i.e. those that might be reclassified and those that will not be reclassified.
- Require tax associated with items presented before tax to be shown separately for each of the two groups of OCI items (without changing the option to present items of OCI either before tax or net of tax).

The above amendments are generally effective for annual periods beginning on or after 1 July 2012. The Corporation will apply the amendments prospectively. The directors anticipate no material impact to the Corporation's financial statements.

IAS 19 (as revised in 2011) - Employee Benefits

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to IAS 19 will be adopted in the Corporation's financial statements for the annual period beginning 1 January 2013. The application of the amendments to IAS 19 will result in the immediate recognition of all actuarial gains and losses through other comprehensive income net of deferred taxes.

(iv) Early adoption of standards

The company has early-adopted amendments to IAS 12 Income Taxes issued by the International Accounting Standards Board (IASB) in December 2010 effective for annual periods beginning on or after 1 January 2012. The amendments provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model in IAS 40 Investment Property. Under IAS 12, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. However, it is often difficult and subjective to determine the expected manner of recovery when the investment property is measured using the fair value model in IAS 40. To provide a practical approach in such cases, the amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The Corporation did not early-adopt any other new or amended standards in 2011.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1 ACCOUNTING POLICIES (continued)

(c) Significant Accounting Policies

Basis of preparation

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

Reinsurance contracts

(i) Classification

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

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

a. Short-term reinsurance business

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

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

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

b. Long-term reinsurance business

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

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

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

(ii) Recognition and measurement

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

a. Premium income

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1 ACCOUNTING POLICIES (continued)

(c) Significant Accounting Policies (continued)

(ii) Recognition and measurement (continued)

b. Claims incurred

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

c. Commissions payable and deferred acquisition costs

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

d. Liability adequacy test

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

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

e. Retrocession contracts held

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

Retrocession premiums payable are recognised in the period in which the related premium income and claims are earned /incurred, respectively.

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

The Corporation assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Corporation reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss. The Corporation gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

f. Receivable and payables related to reinsurance contracts

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

If there is objective evidence that the reinsurance receivable is impaired, the Corporation reduces the carrying amount of the reinsurance receivable accordingly and recognises the impairment loss in profit or loss. The Corporation gathers the objective evidence that a reinsurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1 ACCOUNTING POLICIES (continued)

(c) Significant Accounting Policies (continued)

(ii) Recognition and measurement (continued)

g. Premium and loss reserves

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

Other income recognition

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

Foreign currency transactions

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

Taxation

Tax expense/(income) comprises current tax and deferred tax. Tax is recognised as an expense/(income) and included in profit or loss except to the extent that the tax arises from a transaction which is recognised in other comprehensive income. Current tax is computed in accordance with the Kenyan income tax laws applicable to insurance companies.

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax rates enacted or substantively enacted at the end of each reporting period are used to determine deferred tax. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

Investment properties

Investment properties comprise land and buildings and parts of buildings held to earn rentals and/or for capital appreciation. Investment properties are carried at fair value, as determined by external independent valuers. Fair value is based on active market prices as adjusted, if necessary, for any difference in the nature, condition or location of the specific asset. Changes in the investment properties carrying value between reporting dates are included in profit or loss in the period they arise. On disposal of an investment property, the difference between the proceeds and the carrying value is charged or credited to profit or loss.

Property and equipment

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1 ACCOUNTING POLICIES (continued)

(c) Significant Accounting Policies (continued)

Depreciation

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

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

Intangible assets – computer software and licenses

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

Impairment

At each reporting date, the Corporation reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

Non current assets held for sale

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

Leases

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

Corporation as a lessor

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

Corporation as a lessee

Rentals payable under operating leases are charged to profit or loss. Any payment required to be made to the lessor by way of penalty, for termination of leases before the expiry of the lease period, is recognised in the year in which the termination takes place.

Payments to acquire leasehold interests in land are treated as prepaid operating lease rentals and amortised over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1 ACCOUNTING POLICIES (continued)

(c) Significant Accounting Policies (continued)

Inventories

Inventories comprise housing units for sale.

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

Revaluation reserve

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

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

Fair value reserve

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

Translation reserve

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

Statutory reserve

The statutory reserve represents actuarial surpluses from the long term business whose distribution is subject to restrictions imposed by the Kenyan Insurance Act. The Act restricts the amounts of surpluses of the long-term business available for distribution to shareholders to 30% of the accumulated profits of the long term business.

Investment in associate

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

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

Financial instruments

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

Financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1 ACCOUNTING POLICIES (continued)

(c) Significant Accounting Policies (continued)

Classification

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Held-to-maturity

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

Available-for-sale financial assets

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

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

Recognition

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

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

Derecognition

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

Financial liabilities

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

Employee entitlements

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1 ACCOUNTING POLICIES (continued)

(c) Significant Accounting Policies (continued)

Cash and cash equivalents

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

Retirement benefits obligations

Defined benefit scheme

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

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

Effective 30 September 2010, the Scheme was closed to new entrants.

Statutory defined contributions scheme

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

The Corporation's obligations to retirement benefits schemes are charged to the profit or loss as they fall due.

Dividends

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

Comparatives

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

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The ultimate liability arising from claims payable under reinsurance contracts

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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

The ultimate liability arising from claims payable under reinsurance contracts (continued)

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

Impairment losses

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

Held-to-maturity investments

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

Available for sale investments

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

Useful lives of equipment and intangible assets

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

3 FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

REINSURANCE RISK

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

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

Frequency and severity of claims

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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

REINSURANCE RISK (continued)

Sources of uncertainty in the estimation of future claim payments

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

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

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

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

Concentration of insurance risk

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

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

	Long term business 2011 Shs '000	Short term business 2011 Shs '000	Total 2011 Shs '000	Total 2010 Shs '000
Financial assets				
Debt securities:				
Held to maturity:				
Government securities	1,194,279	2,163,303	3,357,582	2,776,617
Corporate bonds	-	48,393	48,393	51,209
Equity securities:				
Available for sale (Quoted)	-	2,008,823	2,008,823	2,633,796
Available for sale (Unquoted)				
Receivables arising out of reinsurance arrangements	121,375	1,127,600	1,248,975	1,228,234
Premium and loss reserves	-	337,672	337,672	508,045
Mortgage loans	-	320,074	320,074	362,616
Cash and cash equivalents (note 41)	1,468,284	2,389,178	3,857,462	2,942,284
Other receivables	-	42,781	42,781	-
Total financial assets	2,783,938	8,437,824	11,221,762	10,502,801
Reinsurance liabilities				
Long term liabilities	2,285,709	-	2,285,709	2,150,640
Short term liabilities		2,373,622	2,373,622	2,212,251
Total reinsurance liabilities	2,285,709	2,373,622	4,659,331	4,362,891

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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

REINSURANCE RISK (continued)

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

31 December 2011

	Carrying amount Shs '000	No stated maturity Shs '000	Contractual cash flows (undiscounted)		
			0-1 years Shs '000	1-5 years Shs '000	>5 yrs
Financial assets					
Debt securities:					
Held to maturity:					
Government bonds	3,357,582	-	668,024	908,935	1,780,623
Corporate bonds	48,393	-	-	-	48,393
Equity securities:					
Available for sale	2,008,823	2,008,823	-	-	-
Receivables arising out of reinsurance arrangements	1,248,975	1,248,975	-	-	-
Premium loss reserves	337,672	337,672	-	-	-
Mortgage loans	320,074	-	11,918	152,439	155,717
Cash and cash equivalents	3,857,462	-	3,857,462	-	-
Total	11,178,981	3,595,470	4,537,404	1,061,374	1,984,733
Reinsurance liabilities					
Long term liabilities	2,285,709	2,285,709	-	-	-
Short term liabilities	2,373,622	2,373,622	-	-	-
Total	4,659,331	4,659,331	-	-	-
Net gap	6,519,650	(1,063,861)	4,537,404	1,061,374	1,984,733
31 December 2010					
	Carrying amount Shs '000	No stated maturity Shs '000	Contractual cash flows (undiscounted) 0-1 years Shs '000	1-5 years Shs '000	>5 yrs
Financial assets	10,502,801	4,370,075	3,043,570	1,325,362	1,763,794
Reinsurance liabilities	4,362,891	4,362,891	-	-	-
Net gap	6,139,910	7,184	3,043,570	1,325,362	1,763,794

FINANCIAL RISK

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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

FINANCIAL RISK (continued)

(a) Liquidity risk

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

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

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

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

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

31 December 2011

Long term reinsurance contract liabilities
Short term insurance contract liabilities
Payables arising out of reinsurance arrangements

Total financial liabilities

31 December 2010

Long term reinsurance contract liabilities
Short term insurance contract liabilities
Payables arising out of reinsurance arrangements

Total financial liabilities

Due on demand Shs '000	Due after 1 year Shs '000	Total Shs '000
-	2,285,709	2,285,709
2,373,622	-	2,373,622
394,555	-	394,555
2,768,177	2,285,709	5,053,886
-	2,150,640	2,150,640
2,212,251	-	2,212,251
288,097	-	288,097
2,500,348	2,150,640	4,650,988

(b) Market risk

Management of market risk

Market risk is the risk that changes in market prices, interest rates and foreign exchange rates will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Overall authority for market risk is vested in the board of directors. The board of directors is responsible for the development of detailed risk management policies and for the day-to-day review of their implementation.

Interest rate risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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

FINANCIAL RISK (continued)

(b) Market risk (continued)

Interest rate risk (continued)

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

Currency rate risk

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

Price risk

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

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

(c) Credit risk

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

FINANCIAL RISK (continued)

(c) Credit risk (continued)

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

	2011 Shs '000	2010 Shs '000
Held to maturity instruments		
Government securities	3,357,582	2,776,617
Deposits with financial institutions	3,687,082	2,693,330
Corporate bonds	48,393	51,209
Loans and receivables at amortized cost		
Mortgage loans	320,074	362,616
Receivables arising out of reinsurance arrangements	1,248,975	1,228,234
Premium and loss reserves	337,672	508,045
Cash and bank balances	170,380	248,954
Other receivables	42,781	125,214
Total assets bearing credit risk	9,212,939	7,994,219

Receivables arising out of reinsurance arrangements are summarized as follows:

	2011 Shs '000	2010 Shs '000
Neither past due nor impaired	108,373	91,994
Past due but not impaired:		
up to 91 to 365 days	663,855	754,446
up to 1 to 2 years	271,685	278,799
up to 2 to 3 years	205,062	102,995
Impaired	945,641	747,704
	2,194,616	1,975,938
Less: provision for impairment	(945,641)	(747,704)
Total	1,248,975	1,228,234

4 CAPITAL MANAGEMENT

As at 31 December 2011, the required level of paid up share capital for a composite reinsurance company was Sh 450 million.

The Corporation's objectives in managing its capital are:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

5 SEGMENTAL REPORTING

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

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

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

6 PREMIUMS INCOME

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

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

	Long term business Shs '000	Short term business Shs '000	Total 2011 Shs '000	Total 2010 Shs '000
Super annuation	764,731	-	764,731	545,001
Ordinary life	90,010	-	90,010	47,317
Motor	-	371,064	371,064	312,297
Fire	-	2,002,128	2,002,128	1,614,720
Theft	-	453,412	453,412	351,314
Personal accident	-	421,778	421,778	371,767
Engineering	-	536,060	536,060	386,063
Marine	-	419,300	419,300	296,066
Other	-	676,195	676,195	349,368
	854,741	4,879,937	5,734,678	4,273,913

7 INVESTMENT INCOME

Rental income from investment properties	95,344	404,452	499,796	479,393
Interest on government securities held to maturity	124,556	215,391	339,947	276,236
Reclassification from equity of accumulated fair value gain on available for sale quoted equity instruments	-	237,162	237,162	430,824
Realised (loss)/ gain on sale of available for sale quoted equity instruments	-	(28,288)	(28,288)	183,760
Dividends receivable on available-for-sale quoted equity instruments	-	156,259	156,259	132,824
Interest on commercial mortgages	-	36,195	36,195	47,996
Interest on deposits with financial institutions – held to maturity	70,716	123,528	194,244	114,560
Interest on corporate bonds – held to maturity	-	5,838	5,838	5,752
Profit on sale of inventories	-	3,164	3,164	3,226
Interest on staff mortgages and loans	-	9,344	9,344	8,639
Total investment income	290,616	1,163,045	1,453,661	1,683,210

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

8 OTHER INCOME

	Long term business Shs '000	Short term business Shs '000	Total 2011 Shs '000	Total 2010 Shs '000
Other income	-	71,229	71,229	38,519
Gain on disposal of property and equipment	-	864	864	-
Net foreign exchange gain	-	-	-	26,426
Total	-	72,093	72,093	64,945

9 CLAIMS INCURRED

Claims paid	368,447	2,607,204	2,975,651	2,095,638
Changes in the provision for outstanding claims	-	153,024	153,024	6,654
Increase in actuarial liability	135,069	-	135,069	96,146
Gross claims incurred	503,516	2,760,228	3,263,744	2,198,438
Less: Amounts recoverable from retrocessionaires	(72,645)	(251,244)	(323,889)	(151,460)
Net claims incurred	430,871	2,508,984	2,939,855	2,046,978

10 OPERATING AND OTHER EXPENSES

Staff costs (note 11)	33,093	253,727	286,820	333,526
Depreciation (note 16)	-	17,868	17,868	10,816
Amortisation (note 17)	-	8,814	8,814	8,815
Auditors' remuneration	558	5,020	5,578	3,900
Directors' - fees	421	2,819	3,240	3,150
- emoluments	1,306	8,737	10,043	10,756
Mortgages provisions	-	20,362	20,362	15,154
Annual General Meeting expenses	2,060	13,789	15,849	27,722
Investment property direct operating expenses	23,642	157,881	181,523	148,397
Net foreign exchange loss	-	23,758	23,758	-
Travel and accommodation	4,363	29,199	33,562	25,733
Advertisement	2,126	14,231	16,357	5,168
Professional and consultancy fees	3,455	23,433	26,888	18,791
Loss on disposal of equipment	-	-	-	655
Other expenses	18,884	103,505	122,389	85,690
Total	89,908	683,143	773,051	698,273

11 STAFF COSTS

Salaries and wages	16,735	120,116	136,851	118,002
Retirement benefit costs (note 38)	2,009	20,963	22,972	114,571
Medical expenses	1,182	7,938	9,120	8,300
Leave allowance	1,753	11,734	13,487	13,500
National social security benefit costs	22	147	169	194
Gratuity accrual	228	1,528	1,756	8,652
Bonus	834	5,581	6,415	4,359
Staff welfare expenses	749	5,136	5,885	3,518
Training and recruitment	990	6,877	7,867	7,016
Leave pay provision	340	2,274	2,614	3,322
Other emoluments	8,251	71,433	79,684	52,092
Total	33,093	253,727	286,820	333,526

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

12 TAXATION CHARGE

(a) Taxation charge

Current tax at 20% on the taxable profit for the year
Deferred taxation credit (Note 19)
Current year
Prior year under/(over) provision

2011 Shs '000	2010 Shs '000
239,208	233,366
(117,253)	(113,558)
238	(1,183)
(117,015)	(114,741)
122,193	118,625

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

Short term business profit before taxation
Long term business profit before taxation

Profit before taxation

Tax applicable rate of 20%
Tax effects of non taxable income
Tax effect of non-deductible expenses
Prior year under/(over) provision

2011 Shs '000	2010 Shs '000
1,578,662	1,329,030
458,115	330,986
2,036,777	1,660,016
407,355	332,003
(314,344)	(296,654)
28,944	84,459
238	(1,183)

Attributable to:
Long term business
Short term business

2011 Shs '000	2010 Shs '000
17,723	20,982
104,470	97,643
122,193	118,625

(c) Taxation (recoverable)/payable

At 1 January
Charge for the year
Paid in the year

2011 Shs '000	2010 Shs '000
52,844	(152,187)
239,208	233,366
(307,847)	(28,335)
(15,795)	52,844

At 31 December

Attributable to:
Long term business
Short term business

2011 Shs '000	2010 Shs '000
-	-
(15,795)	52,844
(15,795)	52,844

13 EARNINGS PER SHARE

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

Profit attributable to shareholders (Sh'000)

Number of ordinary shares in issue

Basic and diluted earnings per share (Sh)

2011	2010
1,914,584	1,541,391
600,000	600,000
3.19	2.57

There were no potentially dilutive shares outstanding at 31 December 2011 and 2010. The diluted earnings per share is therefore the same as the basic earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

14 DIVIDENDS

The directors propose the payment of a first and final dividend of Sh 0.35(2010 – Sh 0.35) per share totalling to Sh 210 million in respect of the year ended 31 December 2011 (2010 – Sh 210 million). The directors also recommend a bonus share issue in the proportion of one (1) new ordinary share for every six (6) fully paid up shares held by the shareholders, subject to regulatory approvals. The proposed dividends are subject to approval by shareholders at the Annual General Meeting and therefore the cash dividend has not been included as a liability in these financial statements.

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

The movement in the dividend payable account is as follows:

	2011 Shs '000	2010 Shs '000
At 1 January	-	-
Dividend declared	210,000	300,000
Dividends paid	(210,000)	(300,000)
At 31 December	-	-
Proposed cash dividend per share (Sh)	0.35	0.35

15 INVESTMENT PROPERTIES

	Long term business 2011 Shs '000	Short term business 2011 Shs '000	Total 2011 Shs '000	Total 2010 Shs '000
At fair value				
At 1 January	856,000	3,760,500	4,616,500	4,155,000
Additions	6,591	57,411	64,002	83,436
Fair value gain	97,409	587,089	684,498	378,064
At 31 December	960,000	4,405,000	5,365,000	4,616,500

- Investment properties comprise office buildings held to earn rentals and/or capital appreciation and land acquired for development of office buildings and housing projects for rental and/or capital appreciation.
- The valuation of investment properties was last carried out by Tysons Limited, professional independent valuers as at 31 December 2011. The basis of valuation was open market value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

16 PROPERTY AND EQUIPMENT

	Motor vehicles Shs '000	Computers Shs '000	Furniture & equipment Shs '000	Total Shs '000
Cost or valuation				
At 1 January 2010	2,500	13,568	18,191	34,259
Additions	12,034	7,092	50,712	69,838
Disposal	-	(871)	(212)	(1,083)
At 31 December 2010	14,534	19,789	68,691	103,014
At 1 January 2011	14,534	19,789	68,691	103,014
Additions	2,217	3,171	15,027	20,415
Revaluation	-	3,521	(10,327)	(6,806)
Disposal	(8,734)	-	-	(8,734)
At 31 December 2011	8,017	26,481	73,391	107,889
COMPRISING				
Cost	6,217	3,171	65,600	74,988
Valuation - 2008	1,800	-	-	1,800
Valuation - 2011	-	23,310	7,791	31,101
	8,017	26,481	73,391	107,889
Depreciation				
At 1 January 2010	781	2,782	2,786	6,349
Charge for the year	2,884	3,560	4,372	10,816
Eliminated on disposal	-	(382)	(46)	(428)
At 31 December 2010	3,665	5,960	7,112	16,737
At 1 January 2011	3,665	5,960	7,112	16,737
Charge for the year	2,629	6,161	9,078	17,868
Eliminated on disposal	(2,948)	-	-	(2,948)
Eliminated on Revaluation	-	(5,960)	(5,004)	(10,964)
At 31 December 2011	3,346	6,161	11,186	20,693
Net book value				
At 31 December 2011	4,671	20,320	62,205	87,196
At 31 December 2010	10,869	13,829	61,579	86,277
Net book value at cost				
At 31 December 2011	4,333	2,838	42,915	50,086
At 31 December 2010	9,776	13,829	54,949	74,554

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

17 INTANGIBLE ASSETS

Cost
At 1 January and 31 December

Amortisation
At 1 January
Charge for the year

At 31 December

Net book value
At 31 December

2011 Shs '000	2010 Shs '000
48,908	48,908
29,622	20,807
8,814	8,815
38,436	29,622
10,472	19,286

Intangible assets relate to purchased computer software and licenses.

18 INVESTMENT IN ASSOCIATE

At 1 January
Share of profit for the year
Less dividends received

Share of revaluation reserve
Share of fair value reserve
Effect of change in shareholding
Understatement of net assets in prior year
Currency translation adjustment

At 31 December

952,730	713,199
187,777	104,349
(33,759)	(25,078)
1,106,748	792,470
828	(1,175)
(21,543)	9,226
-	(11,467)
-	151,149
47,412	12,527
26,697	160,260
1,133,445	952,730

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

Summary financial information for ZEP-Re

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

Closing rate
Average rate

Ownership

2011 Shs	2010 Shs
85.07	80.75
88.87	79.26
21.03%	25.09%

During 2011 there was a dilution of the Corporation's equity interest ownership percentage in the associate due to a bonus share issue by the associate, in which the Corporation did not participate. In addition, the associate sold equity interests to new investors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

18 INVESTMENT IN ASSOCIATE (continued) Summary financial information for ZEP-Re (continued)

	2011 Shs '000	2010 Shs '000
Total assets	10,999,972	8,326,162
Total liabilities	5,417,352	4,289,690
Net assets	5,582,620	4,036,472
Corporation's share of net assets of associate	1,133,445	952,730
Profit before taxation	688,268	473,181
Share of profit for the year	187,777	104,349
Less: dividends received	(33,759)	(25,078)
Corporation's share of associate's profit	154,018	79,271

During the year, a dividend of Sh 33,758,900 (2010 – Sh 25,077,616) was received.

19 DEFERRED TAXATION ASSET

Deferred income taxes are calculated on all temporary differences under the liability method using the enacted tax rate of 20% for the first five years for newly listed companies.

The net deferred taxation asset is attributable to the following items:

Deferred tax assets:

Excess depreciation over capital allowances	9,450	10,655
Leave pay provision	2,402	2,228
Defined benefit liability	23,712	27,550
Unrealised exchange loss	4,751	-
Staff gratuity provision	1,506	1,506
Bad debts provisions	295,401	174,433
	337,222	216,372

Deferred tax liabilities:

Revaluation surplus – property and equipment	(6,671)	(1,326)
Unrealised exchange gain	-	(678)

Net deferred taxation asset

The movement on the deferred taxation account during the year was as follows:

At 1 January	214,368	99,627
Credit for the year (note 12)	117,253	113,558
Prior year (under)/over provision	(238)	1,183
	117,015	114,741
Deferred tax on revaluation charged to equity	(832)	-
At 31 December	330,551	214,368

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

20 DEFERRED ACQUISITION COSTS

At 1 January
Change for the year

At 31 December

2011 Shs '000	2010 Shs '000
498,938	370,800
127,659	128,138
626,597	498,938

21 UNQUOTED EQUITY INSTRUMENTS –AVAILABLE FOR SALE

At cost
At 1 January
Purchases

At 31 December

The investment in unquoted equity instruments is analysed as follows:

International Development Bank (12% shareholding)
Africa Reinsurance Limited (0.2% shareholding)

Gross investment

66,287	66,287
23,684	-
89,971	66,287
54,480	54,480
35,491	11,807
89,971	66,287

22 INVENTORIES

At 1 January
Disposals

At 31 December

Inventories comprise housing units for sale.

37,957	54,069
(9,163)	(16,112)
28,794	37,957

23 NON CURRENT ASSETS HELD FOR SALE

At 1 January
Provision for assets held for sale

At 31 December

536,858	536,858
(350,000)	(350,000)
186,858	186,858

The provision in the year relates to a parcel of land which is under dispute with the government due to claims of wrongful allocation. The remaining non current assets held for sale represent a sports complex and land which the Corporation intends to sell within the next 12 months. The sports complex carried at a cost of Sh 147,000,000 at 31 December 2011 was sold in March 2012. The Corporation continues to actively market the remaining non current assets held for sale.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

24 MORTGAGE LOANS

	2011 Shs '000	2010 Shs '000
Commercial mortgages	234,557	331,053
Staff mortgages	172,241	160,006
	406,798	491,059
Less: impairment provision	(86,724)	(128,443)
	320,074	362,616
Maturity analysis		
Within 1 year	11,918	38,564
Within 1 to 5 years	166,537	135,298
Over 5 years	141,619	188,754
	320,074	362,616

The weighted average effective interest rate on the mortgages was 10.83% (2010 – 13.54%).

25 RECEIVABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

	Long term business 2011 Shs '000	Short term business 2011 Shs '000	Total 2011 Shs '000	Total 2010 Shs '000
Local companies	125,353	491,085	616,438	812,069
International companies	-	1,578,178	1,578,178	1,163,869
	125,353	2,069,263	2,194,616	1,975,938
Less: impairment provision	(3,978)	(941,663)	(945,641)	(747,704)
	121,375	1,127,600	1,248,975	1,228,234

26 PREMIUM AND LOSS RESERVES

	2011 Shs '000	2010 Shs '000
International companies	640,209	359,626
Local companies	146,084	148,419
Provision for impaired balances	(448,621)	-
	337,672	508,045

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

27 OTHER RECEIVABLES

Staff advances
Prepayments
Rental receivables
Investment debtors
Due from the investment custodian
Other receivables

2011 Shs '000	2010 Shs '000
30,716	31,278
1,787	40,655
271	8,825
-	22,017
9,532	-
475	22,439
42,781	125,214

28 CORPORATE BONDS

Held to maturity

Kenya Electricity Generating Company Limited

48,393	51,209
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The effective interest rate on the corporate bond at 31 December 2011 was 12.5%. (2010 – 12.5%). The corporate bond matures on 9 November 2019.

29 QUOTED EQUITY INSTRUMENTS – AVAILABLE FOR SALE

At fair value
At 1 January
Fair value (loss)/gain
Purchases during the year
Disposals during the year

2011 Shs '000	2010 Shs '000
2,567,509	2,007,648
(544,462)	502,750
272,615	494,773
(286,839)	(437,662)
2,008,823	2,567,509

At 31 December

30 GOVERNMENT SECURITIES

Held to maturity

Maturing:

Within 3 months
Within 4 to 12 months
Within 1 to 5 years
Over 5 years

Long term business 2011 Shs '000	Short term business 2011 Shs '000	Total 2011 Shs '000	Total 2010 Shs '000
10,010	23,358	33,369	10,000
190,397	444,258	634,655	52,722
274,681	636,254	910,935	1,190,064
719,191	1,059,433	1,778,624	1,523,831
1,194,279	2,163,303	3,357,582	2,776,617

At 31 December

Treasury bonds amounting to Sh 710,338,000 (2010 – Sh 739,850,000) are held under lien by the Commissioner of Insurance as required by the Kenyan Insurance Act. The weighted average effective interest rate on the government securities was 10.78% (2010 – 11.14%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

31 DEPOSITS WITH FINANCIAL INSTITUTIONS

Held to maturity

Deposits maturing within 3 months

Long term business 2011 Shs '000	Short term business 2011 Shs '000	Total 2011 Shs '000	Total 2010 Shs '000
1,467,636	2,219,446	3,687,082	2,693,330

The weighted average effective interest rate on deposits with financial institutions was 8.09% (2010 – 6.76%).

32 SHARE CAPITAL

Authorised:

800,000,000 ordinary shares of Sh 2.50 each

Issued and fully paid:

600,000,000 ordinary shares of Sh 2.50 each

2011 Shs '000	2010 Shs '000
2,000,000	2,000,000
1,500,000	1,500,000

33 RESERVES

Revaluation reserve

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

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

Fair value reserve

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

Translation reserve

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

Statutory reserve

The statutory reserve represents actuarial surpluses from the long term business whose distribution is subject to restrictions imposed by the Kenyan Insurance Act. The Act restricts the amounts of surpluses of the long-term business available for distribution to shareholders to 30% of the accumulated profits of the long term business.

Retained earnings

The retained earnings balance represents the amounts available for distribution to the shareholders of the Corporation, except for cumulative fair value gains on the Corporation's investment properties amounting to Sh 3,551,921,450 (2010: Sh 2,867,423,450) whose distribution is subject to restrictions imposed by legislation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

34 LONG TERM REINSURANCE LIABILITIES

The long term reinsurance liabilities, which comprise Ordinary Life Fund and Superannuation Fund, were established in respect of the Corporation's long-term business as required under Section 45 of the Kenyan Insurance Act. Income arising from the investment of the assets of the statutory funds is credited to and forms part of these funds. Transfers from the statutory funds to the profit or loss is done upon the recommendation of the Actuary. The latest actuarial valuation of the life fund was carried out by Alexander Forbes Financial Services (EA) Limited, consulting actuaries as at 31 December 2011 and according to the valuation, the fund had a surplus of Sh 1,475 million (2010 – Sh 1,016 million).

Reconciliation of statutory fund to the actuarial surplus

The actuarial surplus resulting from the actuarial valuation carried out by the Consulting Actuaries as at 31 December 2011 is summarised as follows:

	2011 Shs '000	2010 Shs '000
Life fund	3,742,815	3,167,354
Less: actuarial value of policy holder liabilities	(2,285,709)	(2,150,640)
Statutory reserve	1,457,106	1,016,714

Valuation assumptions

The significant valuation assumptions for the actuarial valuation as at 31 December 2011 are summarised below. The same assumptions were used in 2010.

(i) Actuarial basis and method of valuation

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

Treaty business and Corporation life business actuarial reserves has been established to 95% of the annual premiums at the valuation date.

For supplementary benefits, the actuarial reserve has been established to equal to 100% of annual premiums at the valuation date.

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

(ii) Investment returns

The rate of return on the life fund assets in 2011 was 11.9% per annum (2010 – 8.7% per annum).

35 SHORT TERM INSURANCE CONTRACT LIABILITIES

	2011 Shs '000	2010 Shs '000
Short term insurance contract liabilities	2,373,622	2,212,251

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

35 SHORT TERM INSURANCE CONTRACT LIABILITIES (continued)

Claims Development

Accident year

Estimate of ultimate claims costs:

	2007 Shs '000	2008 Shs '000	2009 Shs '000	2010 Shs '000	2011 Shs '000	Total Shs '000
At end of accident year	4,689,574	983,497	1,255,195	1,819,400	2,619,983	11,367,649
One year later	467,050	127,637	155,837	418,083	-	1,168,607
Two years later	224,090	157,413	226,047	-	-	607,550
Three years later	266,793	130,516	-	-	-	397,309
Four years later	260,032	-	-	-	-	260,032
Current estimate of cumulative claims	5,907,539	1,399,063	1,637,079	2,237,483	2,619,983	13,801,147
Less: cumulative payments to date	(5,832,205)	(1,268,548)	(1,411,032)	(1,819,400)	(1,096,340)	(11,427,525)
Total claims reported and claims handling expenses	75,334	130,515	226,047	418,083	1,523,643	2,373,622
Total gross claims liability included in the statement of financial position						2,373,622

36 UNEARNED PREMIUMS

At 1 January
Increase in the year

At 31 December

2011 Shs '000	2010 Shs '000
1,643,433	1,216,439
513,276	426,994
2,156,709	1,643,433

37 PAYABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

	Long term business 2011 Shs '000	Short term business 2011 Shs '000	Total 2011 Shs '000	Total 2010 Shs '000
Local companies	1,123	182,547	183,670	133,242
International companies	-	210,885	210,885	154,855
	1,123	393,432	394,555	288,097

38 RETIREMENT BENEFIT OBLIGATION

a) Defined Benefit Scheme

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

38 RETIREMENT BENEFIT OBLIGATION (continued)

a) Defined Benefit Scheme (continued)

The actuarial valuation results were as follows:

Present value of funded obligations
Fair value of scheme assets

Net underfunding in funded plan

Unrecognised actuarial loss

Net liability in the statement of financial position

Movement in present value of funded obligation

As at 1 January
Current service costs
Interest cost
Employee contribution
Actuarial (gain)/loss
Past service cost
Loss on curtailment
Benefits payment

At 31 December

Movement in fair value of assets

As at 1 January
Expected return on assets
Actuarial (loss)/gain
Employer contributions
Employee contributions
Benefit payments

At 31 December

Movement in net liability

As at 1 January
Net expense recognised in profit or loss
Employer contributions

At 31 December

Amount recognised in profit or loss:

Current service cost net of employees' contributions
Interest on obligation
Expected return on plan assets
Past service cost
Losses on curtailment

Total included in "staff costs" in respect of scheme

Actual return on plan assets

Actuarial assumptions
Discount rate (% p.a.)
Expected return on Scheme assets (% p.a.)
Future salary increases (% p.a.)
Future pension increases (% p.a.)

2011 Shs '000	2010 Shs '000
418,741	523,976
(328,380)	(351,725)
90,361	172,251
28,199	(34,500)
118,560	137,751
523,976	346,696
7,454	11,130
50,937	42,852
-	6,323
(126,951)	48,854
-	75,489
-	18,830
(36,675)	(26,198)
418,741	523,976
351,725	287,925
35,419	33,730
(63,689)	39,407
41,600	10,538
-	6,323
(36,675)	(26,198)
328,380	351,725
137,751	33,718
22,409	114,571
(41,600)	(10,538)
118,560	137,751
7,454	11,130
50,937	42,852
(35,419)	(33,730)
-	75,489
-	18,830
22,972	114,571
(28,270)	73,139
2011	2010
13.5%	10%
10%	10%
5%	5%
3%	3%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

38 RETIREMENT BENEFIT OBLIGATION (continued)

a) Defined Benefit Scheme (continued)

Historical information

Fair value of plan assets
Present value of funded obligations

Net (under)/over funding in the scheme
Unrecognised actuarial loss

Defined benefit liability

	2011 Shs '000	2010 Shs '000	2009 Shs '000	2008 Shs '000
Fair value of plan assets	328,380	351,725	287,925	245,180
Present value of funded obligations	(418,741)	(523,976)	(346,696)	(363,947)
Net (under)/over funding in the scheme	(90,361)	(172,251)	(58,771)	(118,767)
Unrecognised actuarial loss	(28,199)	34,500	25,053	71,081
Defined benefit liability	(118,560)	(137,751)	(33,718)	(47,686)

b) Defined contribution scheme

The Corporation also makes contributions to a statutory provident fund, the National Social Security Fund (NSSF). Contributions are determined by local statute. For the year ended 31 December 2011, the Corporation contributed Sh 15,450,339 (2010 – Sh 10,538,000) to the defined contribution pension scheme and Sh 169,000 (2010 – Sh 194,000) for NSSF which has been charged to the profit or loss.

39 OTHER PAYABLES

Sundry creditors
Legal fees deposits
Rental deposits
Accrued leave pay
Other creditors and accruals

	2011 Shs '000	2010 Shs '000
Sundry creditors	61,686	10,038
Legal fees deposits	14,973	9,996
Rental deposits	53,906	41,375
Accrued leave pay	13,805	11,442
Other creditors and accruals	96,431	109,560
2011	240,801	182,411

40 NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of profit before tax to cash generated from operations

Profit before taxation

Adjustment for:

Depreciation
Interest on corporate bonds
(Gain)/loss on disposal of equipment
Interest on government securities
Amortisation of software
Reclassification from equity of accumulated fair value gain
on available-for-sale equity instruments
Loss/(gain) on disposal of available-for-sale quoted
equity instruments
Profit on sale of inventories
Provision for non-current assets held for sale
Fair value gain on investment properties
Share of profit of associate
Share of dividends from associate

Operating profit before working capital changes

	2011 Shs '000	2010 Shs '000
Profit before taxation	2,036,777	1,660,016
Depreciation	17,868	10,816
Interest on corporate bonds	(5,838)	(5,752)
(Gain)/loss on disposal of equipment	(864)	655
Interest on government securities	(339,947)	(276,236)
Amortisation of software	8,814	8,815
Reclassification from equity of accumulated fair value gain on available-for-sale equity instruments	(237,162)	(430,824)
Loss/(gain) on disposal of available-for-sale quoted equity instruments	28,288	(183,760)
Profit on sale of inventories	(3,164)	(3,226)
Provision for non-current assets held for sale	-	350,000
Fair value gain on investment properties	(684,498)	(378,064)
Share of profit of associate	(187,777)	(104,349)
Share of dividends from associate	33,759	25,078
Operating profit before working capital changes	666,256	673,169

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

40 NOTES TO THE STATEMENT OF CASH FLOWS (continued)

Working capital changes:

Mortgage loans	42,542	42,066
Receivables arising out of reinsurance arrangements	(20,741)	295,546
Premium and loss reserves	170,373	(76,284)
Other receivables	82,433	(50,582)
Long term reinsurance contract liabilities	135,069	96,146
Short term reinsurance contract liabilities	161,371	6,654
Unearned premiums	513,276	426,993
Payables arising out of reinsurance arrangements	106,458	69,822
Defined benefit liability	(19,191)	104,033
Other payables	58,390	11,607
Deferred acquisition costs	(127,659)	(128,138)

Other operating cash flows:

Purchase of government securities	(1,238,171)	(427,578)
Proceeds on maturity of government securities	729,842	208,012
Purchase of quoted equity instruments (note 29)	(272,615)	(494,773)
Proceeds on sale of quoted equity instruments	258,551	621,422
Purchase of unquoted equity instruments	(23,684)	-
Proceeds of disposal of inventories	12,327	19,338
Purchase of investment property	(64,002)	(83,436)

Net cash generated from operations

2011 Shs '000	2010 Shs '000
42,542	42,066
(20,741)	295,546
170,373	(76,284)
82,433	(50,582)
135,069	96,146
161,371	6,654
513,276	426,993
106,458	69,822
(19,191)	104,033
58,390	11,607
(127,659)	(128,138)
1,170,825	1,314,017

41 CASH AND CASH EQUIVALENTS

Deposits with financial institutions maturing within 3 months	3,687,082	2,693,330
Cash and bank balances	170,380	248,954

3,857,462	2,942,284
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42 BANK OVERDRAFT

The Corporation has an overdraft facility with Kenya Commercial Bank Limited of Sh 15,000,000. The facility is secured by lien over fixed deposits of Sh 24 million.

43 RELATED PARTIES

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

a) Transactions and balances with directors and staff		
(i) Directors' remuneration		
Fees	3,240	3,150
Other emoluments	10,043	10,756
	13,283	13,906
(ii) Key management remuneration		
Salaries and other short term benefits	33,537	38,758
(iii) Loans to staff	200,249	193,772

2011 Shs '000	2010 Shs '000
3,240	3,150
10,043	10,756
13,283	13,906
33,537	38,758
200,249	193,772

Interest income on these loans was Sh 10,012,450 (2010 – Sh 8,520,556). The effective interest on the loans is 5% (2010 – 5.3 %). Staff mortgages and car loans are secured by way of charging the related property to the Corporation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

43 RELATED PARTIES (continued)

(iv) Loans to directors

Included in commercial mortgages (note 24)

2011 Shs '000	2010 Shs '000
7,186	7,309

Interest earned on these loans was Shs 380,292 (2010 – Shs 386,821). The effective interest rate on the loans is 5% (2010 - 5%). Loans to directors are secured by mortgages on the property purchased.

b) Transaction with related company, ZEP Re

(i) Net premium written

115,309	62,302
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(ii) Claims incurred

35,106	23,337
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Reinsurance policies taken out by related parties are in the ordinary course of business at terms and conditions similar to those offered to other clients.

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

Amounts due from related parties

2011 Shs '000	2010 Shs '000
6,827	65,657

Amounts due to related parties

18,735	50,464
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44 INCORPORATION

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

45 CURRENCY

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

SHORT TERM BUSINESS REVENUE ACCOUNT (APPENDIX I)

FOR THE YEAR ENDED 31 DECEMBER 2011

	Motor Private Shs '000	Motor Commercial Shs '000	Fire Domestic Shs '000	Fire Industrial Shs '000	Personal Accident Shs '000	Theft Shs '000	Misc. Shs '000	Liability Shs '000	Eng. Shs '000	Workmen Comp. Shs '000	Marine Shs '000	Aviation Shs '000	Medical Shs '000	Total Shs '000	2010 Shs '000
Gross premium	10,077	388,756	3,327	2,329,873	385,300	493,130	342,699	78,006	607,600	1,176	511,211	8,282	471,637	5,631,074	4,286,742
Unearned premiums b/f	3,899	127,865	1,219	715,982	190,598	157,534	106,708	18,755	171,500	161	136,584	12,630	0	1,643,435	1,216,441
Unearned premiums c/f	4,031	155,503	755	854,903	154,120	197,252	134,988	31,202	243,040	471	188,477	3,314	188,655	2,156,711	1,643,435
Movement in unearned premium	(132)	(27,638)	464	(138,921)	36,478	(39,718)	(28,280)	(12,447)	(71,540)	(310)	(51,893)	9,316	(188,655)	(513,276)	(426,994)
Earned premiums	9,945	361,118	3,791	2,190,952	421,778	453,412	314,419	65,559	536,060	866	459,318	17,598	282,982	5,117,798	3,859,748
Less: Retrocession premiums	-	-	-	192,615	-	-	5,228	-	-	-	40,018	-	-	237,861	178,153
Net earned premiums	9,945	361,118	3,791	1,998,337	421,778	453,412	309,191	65,559	536,060	866	419,300	17,598	282,982	4,879,937	3,681,595
Claims paid	2,038	168,996	-	1,099,647	355,188	262,317	136,281	9,995	114,329	1,294	319,443	4,375	124,954	2,598,857	1,821,789
Claims recoverable	-	-	-	(128,879)	-	-	-	-	-	-	(122,365)	-	-	(251,244)	(107,002)
Claims reserves - beg. of year	(23,191)	(302,696)	-	(621,362)	(213,589)	(365,176)	(259,750)	(47,602)	(107,632)	(14,072)	(210,715)	(46,467)	-	(2,212,251)	(2,205,597)
end of year	18,675	281,359	1,263	861,299	219,679	226,376	182,722	29,174	162,582	17,064	236,874	8,235	128,321	2,373,622	2,212,251
Net claims incurred	(2,478)	147,659	1,263	1,210,705	361,278	123,517	59,253	(8,433)	169,279	4,286	223,237	(33,857)	253,275	2,508,984	1,721,441
Commissions	118	28,613	16,578	657,506	96,633	144,032	93,311	18,256	182,207	274	135,783	3,090	62,558	1,438,961	1,119,748
Commissions receivable	-	-	-	-	-	-	(127)	-	-	-	-	-	-	(127)	(400)
Provision for bad debts	1,157	44,637	382	267,515	44,240	56,621	39,349	8,957	69,764	135	58,697	951	54,153	646,558	472,504
Management expenses	857	33,048	283	198,064	32,755	41,921	29,133	6,631	51,652	100	43,458	704	40,094	478,702	292,415
Total expenses Underwriting profit/(loss)	(346)	253,958	18,506	2,333,791	533,906	366,093	220,919	25,411	472,903	4,794	461,176	(29,111)	410,080	5,073,079	3,605,708
	10,291	107,361	(14,715)	(355,454)	(113,128)	87,319	88,272	40,148	63,157	(3,927)	(41,875)	46,707	(127,098)	(193,142)	75,887

This short term business revenue account was approved by the Board of Directors on 19th April 2011 and was signed on its behalf by:



Principal Officer



Director



Director

LONG TERM BUSINESS REVENUE ACCOUNT (APPENDIX II) FOR THE YEAR ENDED 31 DECEMBER 2011

	Ordinary Shs '000	Super Annuation Shs '000	2011 Shs '000	2010 Shs '000
Gross earned premiums	103,496	879,314	982,810	694,158
Less: Retrocession premiums	(13,486)	(114,583)	(128,069)	(101,840)
Net earned premium	90,010	764,731	854,741	592,318
Net claims incurred	23,630	272,172	295,802	229,392
Increase in actuarial liability	14,224	120,845	135,069	96,146
Net commissions	21,079	242,793	263,872	128,304
Management expenses	9,468	80,440	89,908	75,232
Provision for doubtful debts	-	-	-	3,978
	68,401	716,250	784,651	533,052
Underwriting surplus	21,609	48,482	70,090	59,266
Fair value gains	7,782	89,627	97,409	23,000
Investment income	23,216	267,400	290,616	248,720
Increase in life funds	52,607	405,509	458,115	330,986

The long term business revenue account was approved by the board of directors on 20th April 2012 and was signed on its behalf by:



Principal Officer



Director



Director

[illegible]

PROXY FORM

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

Shareholder / Member No. _____

I/WE _____ of _____

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

_____ of _____

or failing him/her _____ of _____

as *my/our proxy to vote for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held at the **Bomas of Kenya**, off-Langata Road, Nairobi, on Friday, 8th June 2012 at 11.00 a.m., and at any adjournment thereof.

Signature(s) _____

Signed this day _____ of _____ 2012.

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

* Strike out whichever is not desired.

Notes:

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

Shareholder's Admission Letter for AGM on 8th June 2012

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

Name: _____ Signature(s): _____

Annual General Meeting of Kenya Reinsurance Corporation Limited to be held at the **Bomas of Kenya**, off-Langata Road, Nairobi, on Friday, 8th June 2012 at 11.00 a.m.

FOMU YA MWAKILISHI

Katibu wa Shirika
Shirika la Kenya Reinsurance Corporation Limited
Gorofa la 15, Jumba la Reinsurance Plaza Building
Taifa Road
SLP 30271-00100
NAIROBI

Namba ya Mwenye hisa/ Mwanachama _____

MIMI/SISI _____ wa _____

nikiwa *mwanachama/wanachama wa **KENYA REINSURANCE CORPORATION LIMITED**, ninamteua

_____ wa _____

ama kutomteua _____ wa _____

kama *mwakilishi wangu/ wetu atakayepiga kura kwa niaba *yangu/yetu katika Mkutano Mkuu wa Mwaka wa Shirika utakaofanyika katika ukumbi wa **Bomas of Kenya**, kwenye muelekeo wa barabara ya **Langata Road, Nairobi, siku ya Ijumaa, tarehe 8 Juni, 2012, nyakati za saa 5 Asubuhi**, na katika maagano yoyote baada ya hapo.

Sahihi _____

Iliyotiwa Sahihi _____ tarehe _____ 2012.

Fomu hii inafaa kutumiwa kwa lengo la kufanya suluhu ya maamuzi ya kupiga/au kughairi kupiga kura. Pengine pawepo na maelekezo tofauti, mwakilishi anafaa kupiga kura kuambatana na jinsi anavyoamua mwenyewe.

* Kuondoa kile kisichohitajika.

Fahamu:

1. Anuwani inafaa kuwa ile iliyopo katika sajili ya wanachama.
2. Ikiwa mwanachama huyo ni Shirika, basi Fomu hii ya Mwakilishi inafaa kujazwa ima kwa Mhuri wake Rasmi ama kutiwa sahihi kwa niaba yake na wakili ama afisa aliyeidhinishwa na Shirika.
3. Mtu atakayechaguliwa kama mwakilishi sio lazima awe mwanachama wa kampuni.
4. Ikiwa pama mazingira ya ubia, mwanachama yeyote kati ya washirika hao anaweza kutia sahihi, lakini majina kamili ya wanachama wote ni lazima yawepo.

Barua ya Ualishi wa Mwenyehisa ili kuhudhuria Mkutano Mkuu wa Mwaka mnamo tarehe 8, Juni 2012.

Tafadhali ijaze fomu hii kikamilifu na fahamu kwamba unafaa kuibeba utakapohudhuria ama atakapohudhuria mwakilishi wako katika Mkutano Mkuu wa Mwaka ili kudhihirisha uwepo wako. Fahamu kwamba ni wenyehisa waliosajiliwa pekee ama wawakilishi wao watakaofahamishwa kuhusu kuhudhuria mkutano huo na kampuni, sio chini ya saa arobaini na nane (48) kabla ya wakati wa mkutano huo kufanyika.

Jina: _____ Sahihi: _____

Mkutano Mkuu wa Mwaka wa Kenya Reinsurance Corporation Limited utakaofanyika katika ukumbi wa **Bomas of Kenya**, kwenye muelekeo wa Barabara ya Langata Road, Nairobi, Siku ya 8 Juni 2012, kuanzia saa 5 Asubuhi.

Niko fiti

Ability beyond disability

A CSR campaign for Kenya Re

My business is now flourishing. Thanks to Niko Fiti for coming to my aid by donating this wheelchair.



You can also assist
by sending your donations to:
KENYA RE – NIKO FITI A/C
KCB Moi Avenue Branch
Account Number: 1132291917
M-Pesa Paybill No. 505601
www.kenyare.co.ke



KENYA RE





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