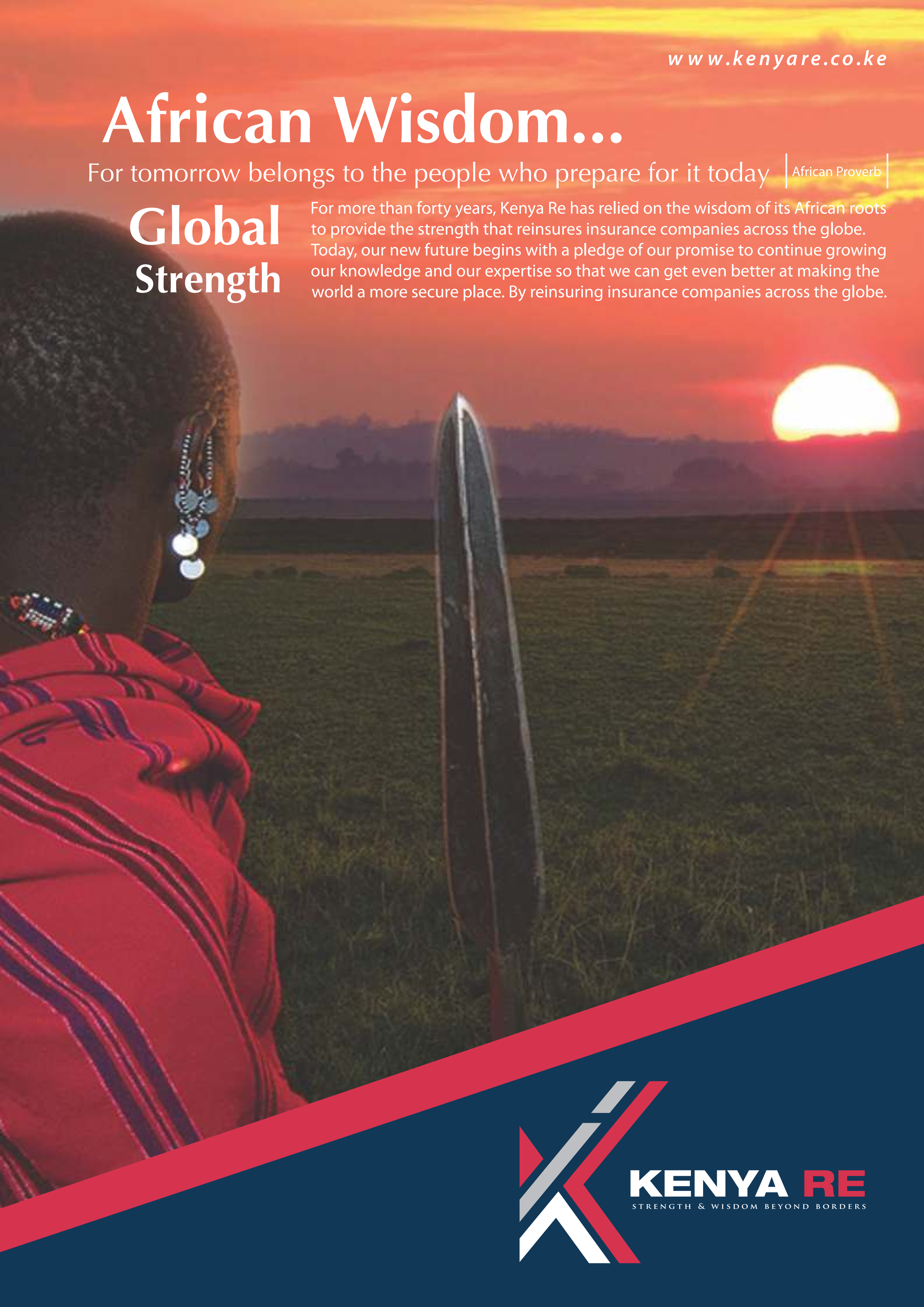
2012 Annual Report & Financial Statements

KENYA RE
STRENGTH & WISDOM BEYOND BORDERS


www.kenyare.co.ke
African Wisdom...
For tomorrow belongs to the people who prepare for it today
African 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 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	
Gladys Mboya	
Felix Okatch	
Maina Mukoma	
Dr. Lumbi Wa M'Nabea	
Ms. Priscilla Kirigua	

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

Otieno Ragot & Company Advocates
Post Bank House, 15th Floor
P O Box 1883 – 40100
Nairobi, Kenya

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

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

Macharia-Mwangi & Njeru Advocates
Post Bank House, 11th Floor
Banda Street
P O Box 10627 – 00100 GPO
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

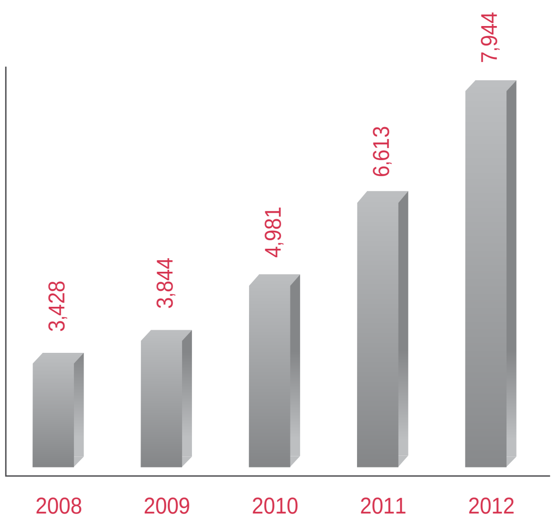
National Bank of Kenya Limited
Harambee Avenue
P O Box 41862 - 00100 GPO
Nairobi, Kenya

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

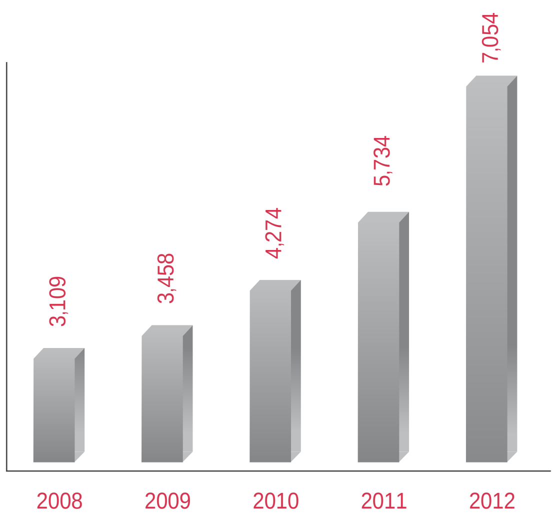
Commercial Bank of Africa Ltd
Mara & Ragati Roads, Upper hill
P O Box 30437 - 00100
Nairobi, Kenya

FIVE YEAR PERFORMANCE ANALYSIS

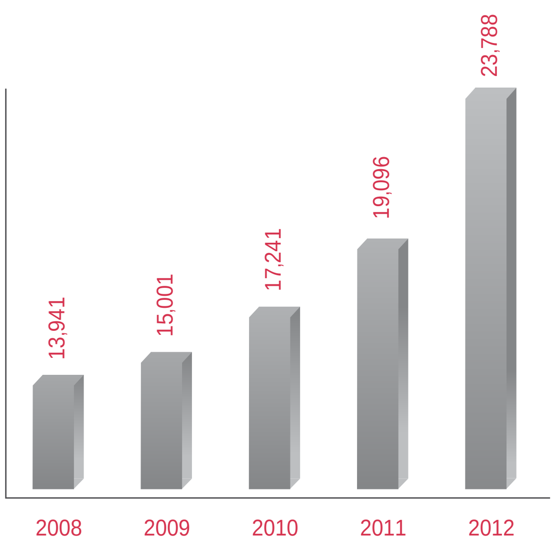
GROSS PREMIUM WRITTEN (Shs Millions)



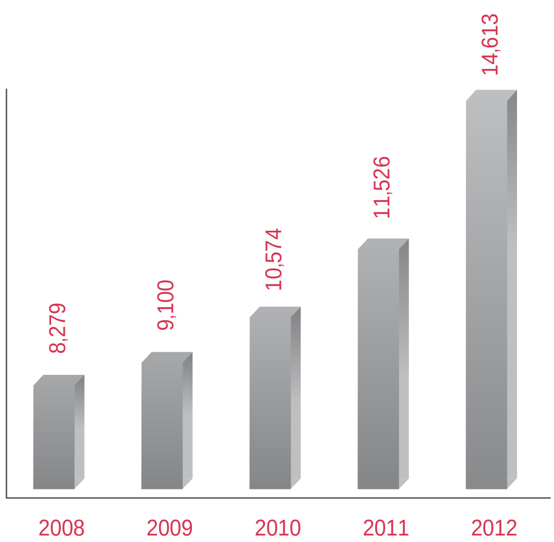
NET PREMIUMS WRITTEN (Shs Millions)



TOTAL ASSETS (Shs Millions)

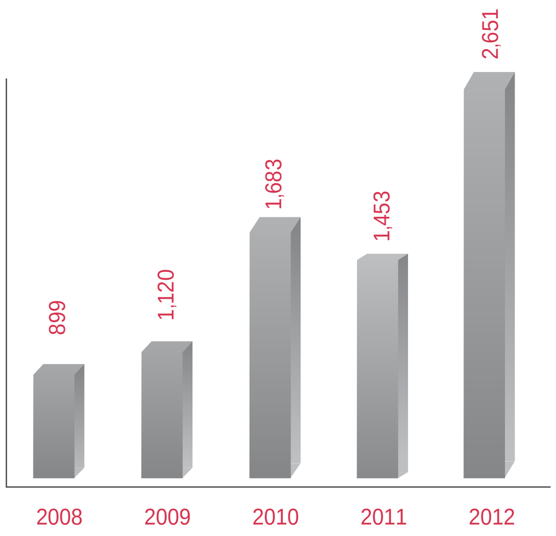


SHAREHOLDER'S FUNDS (Shs Millions)

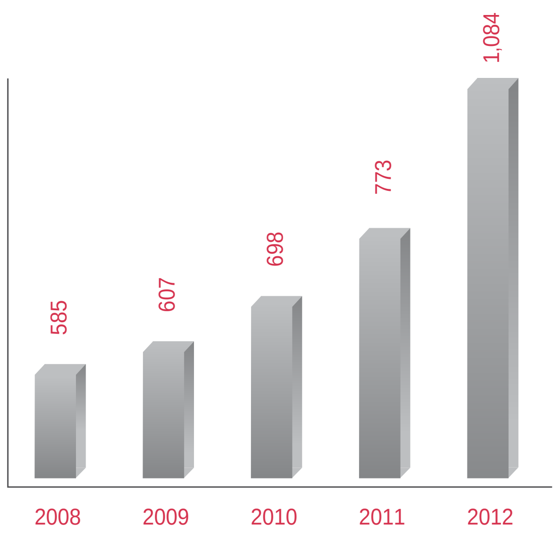


FIVE YEAR PERFORMANCE ANALYSIS

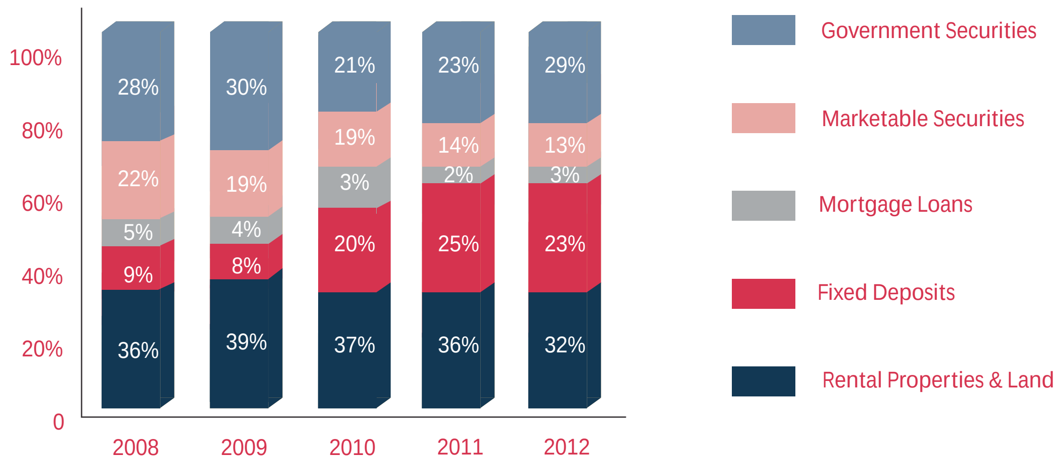
INVESTMENT INCOME (Shs Millions)



MANAGEMENT EXPENSES (Shs Millions)



INVESTMENT MIX (%)



NOTICE OF THE 15TH ANNUAL GENERAL MEETING

Notice is hereby given that the 15th ANNUAL GENERAL MEETING OF KENYA REINSURANCE CORPORATION LIMITED will be held at the Moi International Sports Centre, Kasarani Gymnasium, off Thika Super Highway, Nairobi, on Friday, 7th June 2013 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 2012 together with the Chairman's, Directors' and Auditors' Reports thereon.

3. To approve payment of a first and final dividend of KShs0.40 per share, subject to withholding tax where applicable, for the financial year ended 31st December 2012 to the shareholders registered in our books as at 7th June 2013 on or about 12th July 2013, as recommended by the Board, and approve the closure of the Register of Members on 10th June 2013.

4. **Election of Directors:**

   a) In accordance with Article 110 of the Corporation's Articles of Association, Mr. Everest Lenjo and Mr. Felix Okatch retire by rotation as Directors and, being eligible, offers themselves for re-election.

   b) In accordance with Article 115 of the Corporation's Articles of Association, Mr. Maina Mukoma, Dr. Lumbi Wa M'Nabea and Ms. Priscilla Kirigua, retire as directors of the Corporation, and being eligible, offer themselves for election.

5. To note the Directors' remuneration for the period ended 31st December 2012.

6. **Auditors**
   To note that the audit of the Corporation's books of accounts will continue to be undertaken by the Controller and Auditor-General or an audit firm appointed by him in accordance with Section 14 of the State Corporations Act and Sections 14 and 39 (i) of the Public Audit Act 2003.

7. To authorise the Directors to fix the remuneration of the Auditors.

SPECIAL BUSINESS

8. Amendment of the Corporation's Articles of Association.

   To consider and, if thought fit, to pass the following resolutions as special resolutions:
   (i) By deleting Article 140 in its entirety and substituting it with the following new Article:

   (a) Any dividend or other money payable in cash on or in respect of shares may be paid by electronic funds transfer or other automated system of bank transfer, electronic or mobile money transfer system, transmitted to such bank or electronic or mobile telephone address as shown in the Register of Members or by cheque or warrant payable at such place of business as the Company shall specify in writing, sent through the post to the address of the member or person entitled to it as shown in the Register of Members or if two or more persons are registered as joint holders of the shares to the registered address of the joint holders of the shares, to the registered address of the joint holder who is first named in the Register of Members or in the case of two or more persons being entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons at such address as the persons being entitled to received payment may in writing direct.

   (b) Every such cheque or warrant or funds transfer shall be made payable to or to the order of the person to whom it is sent or to such person who may be entitled to the same [as described in Article 140 (a) aforesaid]. Payment of the cheque or warrant, if purporting to be endorsed or enfaced, by the addressee or as the case may be, confirmation of payment having been made by the transmitting entity to the addressee of a direct debit, bank transfer or other automated system of bank transfer or via a mobile money transfer system, shall in each case be a good discharge to the Company. Every such payment whether by cheque or warrant or electronic funds transfer or mobile money payments system shall be sent at the risk of the person entitled to the money represented to it.

   (ii) By deleting Article 142 in its entirety and substituting it with the following new Article:

   "The Company may, if required by law, deliver or pay to any prescribed regulatory authority any unclaimed assets including but not limited to shares in the Company presumed to be abandoned or unclaimed in law and any dividends or interest thereon remaining unclaimed beyond prescribed statutory periods. Upon such delivery or payment, the unclaimed assets shall cease to remain owing by the Company and the Company shall no longer be responsible to the owner or holder or his or her estate, for the relevant unclaimed assets."

NOTICE OF THE 15TH ANNUAL GENERAL MEETING

9. Expansion Programme – Subsidiarisation of the Cote D'Ivoire branch office

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

   a) "That the Company be and is hereby authorised to establish a subsidiary in Cote D'Ivoire on such terms and conditions as may be determined by the relevant regulatory authorities and the Board of Directors.

   b) The Directors be and are hereby authorised to determine the conditions upon which the subsidiary in Cote D'Ivoire will be established and to obtain all the required regulatory approvals, consents and authorisations and generally to do and effect all acts and things required to give effect to the above resolution."

10. To transact any other business in respect of which due notice has been received.

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

23rd April 2013

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 5th June 2013 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.

3. Copies of the Corporation's complete Memorandum and Articles of Association are available for inspection on the Corporation's website (www.kenyare.co.ke) and also at the Company's Registered Offices – 15th Floor, Reinsurance Plaza, Taifa Road, Nairobi.

ILANI YA MKUTANO MKUU WA KILA MWAKA

Ilani inatolewa hapa kwamba MKUTANO MKUU WA 15 WA KILA MWAKA WA SHIRIKA LA KENYA REINSURANCE CORPORATION LIMITED utafanyika katika uwanja wa Moi International Sports Centre, Kasarani kwenye ukumbi wa Gymnasium, mkabala na barabara kuu ya Thika Super Highway, jijini Nairobi mnamo Ijumaa, tarehe 7 Juni 2013 kuanzia saa tano adhuhuri ambapo shughuli zifuatazo zitatekelezwa;

AJENDA

1. Katiba ya Mkutano - Kusoma ilani inayoitisha Mkutano na kuamua kama waliohudhuria wanafikia idadi ya kutosha ya kuendesha mkutano huo.

2. Kupokea, kuzingatia na iwapo itaidhinishwa, kuikubali Taarifa iliyoidhinishwa ya Ukaguzi wa Mahesabu ya Kifedha ya Shirika hili katika mwaka uliomaliziakia tarehe 31 Desemba 2012 pamoja na Ripoti ya Mwenyekiti, ili ya Mkurugenzi Mkuu na hali kadhalika ile Mkaguzi wa Mahesabu ya Fedha.

3. Kuidhinishwa malipo ya mgao wa kwanza na wa mwisho wa Ksh0.40 kwa kila hisa, lakini baada ya kuzingatia ushuru wa hifadhi pale panapofaa, katika mwaka uliomalizikia 31 Desemba 2013 kwa wenyehisa waliosajiliwa katika mabuku yetu kufikia tarehe 7 Juni 2013 na kuendelea au karibu na tarehe 12 Julai 2013, kama ilivyopendekezwa na Bodi, na kuidhinisha kufunga Sajili ya Wanachama tarehe 10 Juni 2013.

4. **Uchaguzi wa Wakurugenzi Wakuu:**

    a) Kulingana na Kifungu cha 110 cha Mkataba wa Kishirika wa Shirika hili, Bw. Everest Lenjo na Bw Felix Okatch wanastaafu kwa zamu kama Wakurugenzi Wakuu na, kwa kuwa wanaweza kuteuliwa tena, wanajitolea tena ili kuchaguliwa upya.

    b) Kulingana na Kifungu cha 115 cha Mkataba wa Kishirika wa Shirika hili, Bw Maina Mukoma, Dkt Lumbi wa M'Nabea na Bi Priscilla Kirigua, wanastaafu kama wakurugenzi wa Shirika hili, na kwa kuwa wanaweza kuteuliwa tena, wanajitolea tena kuchaguliwa.

5. Kufahamu malipo ya Wakurugenzi katika mwaka uliokamilikia tarehe 31 Desemba 2012.

6. **Wakaguzi wa Mahesabu**
   Kufahamu kwamba ukaguzi wa mabuku ya hesabu ya Shirika hili utaendelea kutekelezwa na Mwelekezi na Mkaguzi Mkuu au shirika la ukaguzi wa mahesabu litakaloteuliwa naye kulingana na Kifungu cha 14 cha Sheria ya Mashirika ya Kibiashara ya Serikali na Sehemu 14 na 39(i) za Sheria ya Ukaguzi wa Umma ya mwaka wa 2003.

7. Kuwaruhusu Wakurugenzi Wakuu kubaini mshahara wa Wakaguzi wa Mahesabu ya Kifedha.

SHUGHULI MAALUM

8. Marekebisho ya Kanuni za Kiushirika wa Shirika.

   Kuzingatia na, ikionekana kuwa inafaa, kupitisha maafikiano yafuatayo kama maazimio maalum:
   (i) Kufuta Kifungu chote cha 140 na badala yake kifungu kipya kifuatacho kutumika:

   (a) Mgao wowote au pesa zinginezo zinazolipwa taslimu kutegemea hisa zinaweza kulipwa kwa njia ya kielektroniki au njia nyinginezo za kimtandao katika benki, mfumo wa simu ya mkononi au kielektroniki, kutumwa katika benki husika au kielektroniki katika anwani ya simu ya mkononi kama inavyoonyeshwa katika Sajili ya Wanachama, au kwa njia ya hundi ya benki au hati inayoweza kulipiwa kwa njia ya kibiashara kama Shirika hili litakavyoeleza kwa njia ya maandishi, mgao huo utatumwa katika anwani ya mwanachama au mtu anayestahili kama ilivyo katika Sajili ya Wanachama au iwapo ni watu wawili au zaidi wamesajiliwa kama wamiliki wa pamoja wa hisa, yatumwe kwa anwani iliyosajiliwa ya wamiliki hao wa pamoja wa hisa, kwa anwani iliyosajiliwa ya mmiliki wa pamoja aliyetajwa wa kwanza katika Sajili ya Wanachama au katika hali ambapo watu wawili au zaidi wanastahili ikiwa patatokea kifo au ufilisi wa mwenyehisa, yalipwe kwa mmoja wa watu hao kwa anwani itakayopendekezwa na watu hao wanaopokea malipo.

   (b) Kila hundi kama hiyo au hati au malipo ya kifedha yatafanyika kwa au kwa amri ya mtu anayefaa kutumiwa au kwa mtu yeyote yule anayestahiki kufanyiwa hivyo (kama ilivyofafanuliwa katika Kifungu cha 140 (a) kilichotajwa hapo juu).
   Malipo ya hundi au hati, kama inaonyesha kuidhinishwa au kuchapishwa, na mpokezi au kama hali itakavyokuwa, ikithibitisha malipo kufanyika kwa kutuma mgao kwa anayestahili pesa hizo moja kwa moja katika akaunti yake, benki au mifumo mingineyo ya kimtandao katika benki au kupitia mfumo wa simu ya mkononi, katika kila hali yote yatachukuliwa kama njia mwafaka ya kulipa kutoka kwa Shirika hili. Kila malipo kama haya iwe kwa njia ya hundi au hati au kielektroniki au simu ya mkononi yatatumwa lakini mpokezi ndiye atawajibikia hatari yoyote inayoweza kutokea katika shughuli hiyo ya kutuma.

ILANI YA MKUTANO MKUU WA KILA MWAKA

(ii) Kwa kufuta Kifungu kizima cha 142 na badala yake kuweka Kifungu kipya kifuatacho:

"Kampuni hii inaweza, ikihitajika kisheria, kuwasilisha au kulipa shirika la usimamizi lililoidhinishwa milki zozote ambazo hazijachukuliwa ikiwemo, lakini siyo tu, hisa pekee zilizo katika Kampuni hii ambazo zinachukuliwa kama zilizoachwa au kutochukuliwa kisheria au mgao wowote au riba iliyopatikana na ambayo haijachukuliwa baada ya muda uliowekwa kukamilika. Baada ya mawasilisho hayo au malipo, milki ambazo hazikuchukuliwa hazitakuwa tena deni kwa Kampuni hii, hivyo basi Kampuni hii haitawajibika tena kwa mmiliki wake au mwenyehisa au mwenyekodi anayestahili kuchukua mali hiyo ambayo haikuchukuliwa."

9. Mpango wa Upanuzi – Uanzishaji wa afisi ya utanzu ya huko Cote D'Ivoire

Kuzingatia na, ikionekana kufaa, kupitisha azimio lifuatalo kama azimio maalum:

(a) "Kampuni hii inaruhusiwa kuunda utanzu nchini Cote d'Ivoire kwa kuzingatia masharti na kanuni zitakazoamuliwa na mashirika ya usimamizi yafaayo pamoja na Bodi ya Wakurugenzi Wakuu.

(b) Wakurugenzi Wakuu wanaruhusiwa kuamua masharti ambayo utanzu wa Cote d'Ivoire utaundwa na kupata idhini, ruhusa na amri zote za kudhibiti zinazofaa na kwa jumla kutekeleza na kuzitekeleza sheria zote na masuala mengineyo yanayofaa ili kuanza kutekeleza azimio lililo hapo juu."

10. Kutekeleza shughuli nyingine yoyote ambayo imepokelewa tayari katika ilani.

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 23 Aprili 2013

FAHAMU:

1. Mwanachama anayefaa kuhudhuria na kupiga kura katika mkutano huu lakini hataweza kufanya hivyo anaruhusiwa kuteua mwakilishi kushiriki na kupiga kura kwa niaba yake. Siyo lazima mwakilishi wake huyo awe mwanachama wa Kampuni hii. Ili kukubaliwa, lazima fomu ya mwakilishi iliyoambatanishwa kwenye Ripoti hii ya Mwaka au inayoweza kuopolewa kutoka kwenye tovuti ya Shirika hili (www.kenyare.co.ke), ijazwe kikamilifu na kutiwa sahihi na mwanachama na kutiwa katika afisi zilizosajiliwa za Msajili wa Hisa wa Shirika, M/s. Image Registrars Limited, Transnational Plaza, Gorofa ya 8, Barabara ya Mama Ngina Street, na katika SLP 9287 – 00100 GPO, Nairobi au itumwe kwa njia ya posta, ili imfikie M/S. Image Registrars Limited, kabla ya tarehe 5 Juni 2013 saa tano adhuhuri.

2. Mwanachama yeyote anaweza kutuma ilani iliyotiwa sahihi naye binafsi kwa Katibu wa Shirika kwa anwani iliyo hapo juu, katika muda wa siku saba (7) na muda usiozidi siku ishirini na moja (21) kabla ya tarehe iliyochaguliwa kufanyika kwa Mkutano Mkuu wa Mwaka, ili kuonyesha nia yake ya kupendekeza mtu mwengine yule achaguliwe kwenye Bodi, na ilani kama hiyo iandamane na ilani iliyotiwa sahihi na mtu aliyependekezwa kuonyesha nia yake ya kuteuliwa. Mtu aliyependekezwa siyo lazima awe mwanachama wa Kampuni hii.

3. Nakala za Mikataba iliyokamilika ya Maelawano na Ushirikiano wa Shirika zinapatikana kwa ajili ya kukaguliwa kwenye tovuti ya Shirika (www.kenyare.co.ke) na pia katika Afisi za Usajili za Kampuni – Gorofa ya 15, Reinsurance Plaza, Taifa Road, Nairobi.

BOARD OF DIRECTORS

Standing (Left to Right)

Maina Mukoma	*Non-Executive Director*
Felix O. Okatch	*Non-Executive Director*
Jacob Haji Ali	*Non-Executive Director*
Priscilla M. Kirigua	*Non-Executive Director*
Jadiah M. Mwarania	*Managing Director*
Everest M. Lenjo	*Non-Executive Director*
Habil A. Waswani	*Corporation Secretary*

Seated (Left to Right)

Dr. Lumbi Wa M'nabea	*Non-Executive Director*
Nelius Kariuki	*Chairman*
Dr. Iruki Kailemia	*Non-Executive Director*

Not in Picture

Joseph Kinyua	*Permanent Secretary Treasury*
Gladys M. Mboya	*Non-Executive Director*

DIRECTOR'S PROFILE

NELIUS KARIUKI, 62 - 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, 48 - MANAGING DIRECTOR

Mr. Mwarania was appointed the Managing Director of the Corporation on 12th April 2011. He has worked with the Corporation for over 20 years and was previously the General Manager (Reinsurance Operations). 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 (FIIK). 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 of the Association of Kenya Reinsurers (AKR).

JOSEPH K. KINYUA, CBS, 62 - 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, 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 Economie Research Consortium (AERC) and is an Alternate Governor, World Bank Board of Governors.

DR. IRUKI KAILEMIA, 59 - 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. Dr. Kailemia is the Chairman of the Human Resources Committee of the Corporation's Board.

JACOB HAJI ALI, 56 - 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 graduated from Kampala University with Bachelor's Degree in Business Administration in December 2012, and is currently enrolled for a Master of Business Administration degree at Mount Kenya University. 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, 45 - 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 Wangong'u & Waiyaki Advocates with over 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 Risk & Compliance Committee of the Corporation's Board.

DIRECTOR'S PROFILE

EVEREST MATOLO LENJO, 61 - 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.

FELIX OWAGA OKATCH, 59 - 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 Bound Trust (K) and APSEA. He is the Chairman of Finance, Investment and Tender Oversight Committee of the Corporation's Board.

PRISCILLA MUTHONI KIRIGUA, 39 - NON-EXECUTIVE DIRECTOR
Ms. Kirigua was appointed to the Corporation's Board on 9th November 2012. She holds a BSc degree in Actuarial Science from Roosevelt University, Chicago Illinois, and an MBA (Operations and Strategic Management) from DePaul University, Chicago Illinois. Until the year 2010, she was director of the Health Insurance business unit of the CFC Group.

DR. LUMBI WA M'NABEA, 45 - NON-EXECUTIVE DIRECTOR
Dr. Wa M'Nabea was appointed to the Corporation's Board on 9th November 2012. He holds a BSc. degree in Public Health from Walden University and an MSc. in Rehab Psychology, from the Eastern Washington University. He is currently the Executive Director at Africa Spinal Injuries Centre (ASIC) and also the 2nd National Vice Chairman of The Association for the Physically Disabled of Kenya (APDK). He has previous working experience with Healthlink Kenya, Kenya Airways and the Aga Khan Hospital.

MAINA MUKOMA, 57 - NON-EXECUTIVE DIRECTOR
Mr. Mukoma was appointed to the Corporation's Board on 9th November 2012. He holds a Bachelor of Commerce degree (Accounting Option) from the University of Nairobi. He is an Associate of Chartered Insurance Institute of London, UK (ACII), Associate of Chartered Institute of Arbitrators, UK (ACIrb), and an Associate Member of the Kenya Institute of Management (AMKIM). Mr. Mukoma is currently the Managing Director and Principal Officer of Cannon Assurance Limited and represents the insurance industry being a nominee of the Association of Kenya Insurers (AKI) where he is the Deputy Chairman.

HABIL WASWANI, 36 - 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, US. 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

I take great pleasure in presenting to you once again the annual report and financial statements for Kenya Reinsurance Corporation for the year ended 31st December 2012.

I am especially pleased to note that the results highlight an extremely successful year. A key driver behind the financial success was our strategy. These results have demonstrated that we are in the right markets, with the right strategy and have the right leadership and team in place to deliver consistent value to our shareholders.

BUSINESS ENVIRONMENT

The year under review was a challenging year given the political environment that businesses were operating in. This resulted in the weakening of Kenyan shilling and a general slow down in business operations. We are glad to note that despite this, Kenyans were able to demonstrate political maturity evidenced from the peaceful transition. The new government has thus far committed to ensure we have a stable business environment to spur economic growth. The year also saw the entry of new reinsurance companies into the reinsurance space. Kenya Re's underwriting and investment operations continue on a positive trend.

The re-branding process saw us take a paradigm shift in the way we do business, changing our culture that saw enhanced service delivery.

FINANCIAL RESULTS

During the year, Kenya Re grew by an impressive 45% to post a pretax profit of Kshs 2.9 Billion from Ksh 2 Billion in 2011. This growth is a true testament to the hard work put in by the board and management to ensure growth and success in a highly vibrant and competitive sector of the economy.

Gross premium written amounted to Kshs 7.9 Billion compared to Kshs. 6.6 Billion in 2011, an increase of 20%. Net earned premiums grew by 23% from Kshs 5.7 Billion to kshs 7Billion in 2012. Investment income increased by 87% from Kshs 1.4 Billion to Kshs 2.6 Billion. Profits for the year were kshs 2.8 Billion, compared to Kshs 1.9 Billion in 2011, a 46% improvement.

The total assets grew to Kshs 23 Billion from Kshs 19 Billion in 2011, a 25% growth while the Corporation shareholders funds rose by 27% from Kshs 11.5 Billion to Kshs 14.6 Billion.

We remain confident at the global level that as our country and organization continue enjoying stability, we shall continue to pursue greater returns on investment and contribute to the attainment of the milestones outlined in the vision 2030 blue print.

BUSINESS DEVELOPMENT

KENYA

The local market remains a key contributor to the Corporation's business currently accounting for about 53% of total premiums. As the needs of the insurance market continue to rise, most companies are coming up with innovative products and services to meet the needs of a changing market. The recent discovery of oil in Kenya presents yet another opportunity for us to grow our business.

The Corporation has taken a bold step in the emerging oil and gas industry by carrying out relevant training on best practice in handling the proceeds of this venture should it be deemed viable.

CHAIRMAN'S STATEMENT (CONTINUED)

REST OF AFRICA

We are continually looking for ways to grow our business globally with the intention of establishing a strong presence in any new ventures as part of our expansion strategy. Our branch in Ivory Coast, which started operations, in 2010 has continued to post impressive returns. We successfully launched the Corporation's retakaful window by unveiling a Sharia Supervisory Board (SSB). The Sharia Supervisory Board will guide, monitor, and supervise the retakaful business and ensure compliance with Sharia rules and principles. The move of introducing retakaful is part of our market diversification initiative that is meant to position the Kenya Re brand as the leading provider of re-insurance and flexible financial products. We are confident that tapping into this wing of product will further raise our profile as an inclusive, reliable and caring business partner.

OUTLOOK AND STRATEGY

We are keen to grow our commercial property portfolio where the Corporation remains a key player posting growth from Kshs 499 Million in 2011 to Kshs 574 Million in 2012. We are in the process of constructing a Kshs 1.5 Billion ultra modern high rise green commercial building in upper-hill. This is meant to satisfy the demand for commercial space in the new commercial hub of Nairobi County.

We have geared your business to not only capture every presentable investment opportunity but also bring value to you.
We will continue to focus on our markets by enhancing our existing products and introducing new ones as dictated by the needs of the market. We shall continue to explore operations in new potential international markets. This strategy so far has brought good tidings for us hence our opening of a regional office in West Africa to cater for the Francophone market. We are exploring the possibility of opening another branch in the Southern part of Africa to provide professional reinsurance service to that region.

DIVIDEND

Our commitment to grow shareholder value remains intact as evidenced by the strong full performance. The after tax profit for the year stood at Kshs 2.8 Billion. Based on this impressive performance, the board has recommended a first and final dividend of Kshs 40 cents.

FINANCIAL STRENGTH RATING

In 2012, the Corporation retained its financial strength rating of B+ from AM Best Company. It also received a claims paying ability rating of AA from Global Credit Rating agency from South Africa. These are strong ratings and the Corporation shall endeavor to maintain them. We will retain our certification under the ISO 9001:2008 Standard – Quality Management Systems.

APPRECIATION

On behalf of the Board of Directors, I acknowledge with appreciation the support and understanding of all our shareholders. I would also like to thank my fellow board members for a commendable job in guiding the Corporation. Let me also thank our valued customers and the cedants for their continued support. I would like to record the board's appreciation to the management and staff for their loyalty, dedication and commitment to our collective vision to remain **'the reinsurer of choice in our chosen markets.'**

God bless you.

Nelius Kariuki
Chairman

RIPOTI YA MWENYEKITI

DIBAJI

Ninafurahi kuwasilisha kwenu, kwa mara nyingine, ripoti ya mwaka na mahesabu ya kifedha ya shirika la Kenya Reinsurance Corporation, ya mwaka uliokamilikia Desemba 31, 2012. Kadhalika, nina furaha kochokocho kukufahamisheni kwamba matokeo haya yanaonyesha mwaka uliojaa mafanikio. Mikakati yetu ndiyo iliyokuwa kiini kikuu cha mafanikio haya ya kifedha. Matokeo haya yamedhihirisha kwamba tuko katika soko na pia tuna mikakati maridhawa pamoja na uongozi sahihi na wafanyikazi hodari wenye uwezo wa kuendelea kuwapa wenyehisa wetu thamani inayofaa ya biashara yao.

MAZINGIRA YA KIBIASHARA

Mwaka huu unaochanganuliwa ulikuwa na changamoto nyingi kutokana na mazingira ya kisiasa tuliyokuwa tukiendeshea biashara. Hii ilipelekea kushuka kwa thamani ya shilingi ya Kenya na kupunguza shughuli za kibiashara kwa ujumla. Tuna furaha kusema kwamba licha ya mazingira hayo, Wakenya waliweza kuonyesha ukomavu wa kisiasa kutokana na mpito wa amani ulioshuhudiwa. Serikali mpya nayo imejitolea kuhakikisha kuwa kuna mazingira imara ya kibiashara yatakayoimarisha ukuaji wa uchumi. Mwaka huo pia ulibahatika kushuhudia ujaji wa kampuni mpya kuu za bima kwenye ulimwengu wa kampuni kubwa za bima. Shughuli za uchukuaji bima na uwekezaji wa Kenya Re zinaendelea katika mkondo mzuri.
Shughuli ya kufanya upya harakati zetu ilituwezesha kuchukua mwelekeo mpya katika uendeshaji wa biashara zetu, kwani tulibadilisha desturi yetu ya kazi, hali iliyoimarisha na kuboresha utoaji wetu wa huduma kwa wateja.

MATOKEO YA KIFEDHA

Katika mwaka huo, Kenya Re ilikua kwa asilimia 45 na kupata faida kabla ya ushuru ya Shilingi Bilioni 2.9 kutoka kwa Shilingi Bilioni 2 za mwaka wa 2011. Ukuaji huu ni ushahidi tosha wa bidii zilizotolewa na bodi pamoja na usimamizi ili kuhakikisha kwamba ukuaji unapatikana pamoja na ufanisi katika sekta hii ya uchumi.

Malipo ya bima kwa jumla yalifika Shilingi Bilioni 7.9 ikilinganishwa na Shilingi Bilioni 6.6 mnamo 2011, ambayo ni ongezeko la asilimia 20. Malipo hayo ya bima baada ya gharama yalikuwa kwa asilimia 23 kutoka Ksh Bilioni 5.7 hadi Ksh Bilioni 7 mnamo 2012. Uwekezaji uliongezeka kwa asilimia 87 kutoka Ksh Bilioni 1.4 hadi Ksh Bilioni 2.6. Faida ya mwaka ilikuwa Ksh. Bilioni 2.8, ikilinganishwa na Ksh. Bilioni 1.9 mwaka 2011, ukiwa uimarikaji wa asilimia 46.

Rasilmali za mizania zilikua hadi kufikia Ksh. Bilioni 23 kutoka kwa Ksh. Bilioni 19 mnamo 2011, ukiwa ukuaji wa asilimia 25 huku fedha za wenyehisa katika shirika hili zikiongezeka kwa asilimia 27 kutoka Shilingi Bilioni 11.5 hadi Shilingi Bilioni 14.6.

Tunazidi kuwa na imani katika kiwango cha kimataifa kwamba huku nchi yetu na shirika letu likiendelea kuimarika, tutaendelea kuandama matokeo makubwa katika uwekezaji na kuchangia katika ufikiaji wa hatua zilizotazamiwa kwenye Azimio la 2030.

USTAWI WA KIBIASHARA

KENYA

Soko la kitaifa linabakia kuwa mchangiaji mkuu wa biashara ya Shirika hili kwa sasa kwani huchangia takribani asilimia 53 ya jumla ya malipo ya bima.
Huku mahitaji ya soko la bima yakiendelea kuongezeka, kampuni nyingi zinazidi kuibuka na bidhaa na huduma mpya ili kufikia mahitaji ya soko hili lenye kubadilika kila mara. Uvumbuzi wa majuzi wa mafuta nchini Kenya unatuletea fursa nyingine ya kukuza biashara yetu.

Shirika hili limechukua hatua madhubuti kuhusiana na biashara ibuka ya mafuta na gesi kwa kutekeleza mafunzo yafaayo kuhusu utendakazi muafaka katika kusimamia mapato yanayotokana na biashara hii iwapo itathibitishwa kuwa inawezekana.

KWINGINEKO AFRIKA

Tunaendelea kuchunguza njia za kukuza biashara yetu kimataifa kwa lengo la kueneza uwepo wetu katika shughuli yoyote ile mpya kama sehemu ya mpango wetu wa upanuzi. Kufikia sasa, tulizindua rasmi kampuni yetu tanzu nchini Ivory Coast mnamo 2010 na imeendelea kutoa mafanikio ya kufurahisha. Tulifanikiwa kuzindua kitengo cha retakaful cha Shirika hili kwa kuanzisha Bodi ya Usimamizi wa Shariah. Bodi ya Usimamizi wa Shariah itaongoza, kufuatilia na kusimamia biashara ya retakaful na kuhakikisha kuna udumishaji wa masharti na kanuni za kishariah. Hatua ya kuanzisha retakaful ni sehemu ya mpango wa upanuzi wa soko letu kwa lengo la kuiweka Kenya Re katika mstari wa mbele kama mtoaji mkuu wa bima na bidhaa za kifedha zinazovutia wengi. Tuna imani kuwa kujitoma katika safu hii ya biashara kutainua hadhi yetu zaidi kama mshirika wa kibiashara anayeshirikisha kila mtu, wa kutegemewa na anayejali.

RIPOTI YA MWENYEKITI (CONTINUED)

MUSTAKABALI NA MIKAKATI

Tunamakinika katika ukuzaji wa kitengo chetu cha amali ya kibiashara, ikiwa sehemu kuu ambayo shirika hili linazidi kushuhudia ukuaji kutoka Shilingi Milioni 499 mnamo 2011 hadi Shilingi Milioni 574 mwaka 2012. Tuko katika harakati ya kujenga jumba la kifahari la kisasa lenye gharama ya Shilingi Bilioni 1.5 katika eneo la Upperhill. Jumba hilo linalenga kutosheleza mahitaji ya nafasi ya kibiashara katika kitovu kipya cha biashara kwenye Jimbo la Nairobi. Tumeelekeza biashara yako siyo tu katika kuchukua kila nafasi ya uwekezaji inayopatikana lakini pia kuwaletea thamani ya uwekezaji wenu.

Tutaendelea kuzingatia masoko yetu kwa kuimarisha bidhaa zetu zilizopo na kuanzisha nyingine mpya kama mahitaji ya soko yanavyoelekeza. Tutaendelea kutafiti shughuli katika masoko mapya ya kimataifa. Mikakati hii hadi sasa imetuletea ufanisi mkubwa na hivyo kutufanya kufungua afisi ya eneo hili katika Afrika ya Magharibi ili kuhudumia soko lenye lugha ya Kifaransa. Tunaendelea kuchunguza uwezekano wa kufungua utanzu mwingine katika ukanda wa Afrika ya Kusini ili kutoa huduma za kitaalamu za bima kuu katika eneo hilo.

MGAO

Kimsingi, Bado tungali tumejitolea na kukumbatia thamani ya wenyehisa wetu kama ithibati tosha ya ufanisi wetu. Faida baada ya ushuru ya mwaka huo ilifikia Shilinhgi Bilioni 2.8. Kulingana na matokeo haya mazuri, bodi hii imependekeza mgao kamili na wa mwisho wa senti 40.

KIWANGO CHA KIFEDHA CHA UTATHMINI

Mwaka 2012, Shirika hili lilidumisha kiwango cha utathmini wake wa kifedha cha B+, hii ni kulingana na shirika la AM Best Company. Pia lilipokea uwezo wa ulipaji wa madeni wa AA kutoka kwa shirika la kimataifa la kupima viwango vya kifedha kutoka Afrika Kusini. Haya ni matokeo mazuri na shirika hili litajitahidi kuyadumisha. Tutaendelea kudumisha ubora wetu chini ya Viwango vya ISO 9001:2008 – Mifumo ya Usimamizi Bora.

SHUKRANI

Kwa niaba ya Bodi ya Wakurugenzi Wakuu, ninatambua na kutoa shukrani za dhati kwa msaada mkubwa kutoka kwa wenyehisa wetu ambao kila kukicha wanazidi kutuelewa. Pia ningependa kuwashukuru wanachama wenzangu wa bodi kwa kazi yao nzuri ya kuongoza shirika hili. Hebu pia niwashukuru wateja wetu wapendwa na kampuni zilizotupa biashara zao kwa kuendelea kutufaa. Ningependa kutoa shukrani za bodi hii kwa usimamizi na wafanyikazi kwa uaminifu wao, kujitolea na kujibidiisha ili kuhakikisha azimio letu la pamoja linabakia kuwa **'shirika kuu pendwa la bima katika masoko teule.'**

Mungu awabariki.

Nelius Kariuki
Mwenyekiti

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2012

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 2012 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

	2012 Kshs '000
Profit before taxation	2,944,635
Taxation charge	(142,743)
Profit for the year transferred to retained earnings	**2,801,892**

DIVIDENDS

The directors recommend the payment of a first and final dividend of Sh 0.40 (2011 - Sh 0.35) per share totalling to Sh 280 million for the year ended 31 December 2012 (2011 – Sh 210 million).

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. Everest Lenjo and Mr. Felix Okatch retire by rotation as Directors and, being eligible, offer themselves for re-election at the Annual General Meeting to be held on 7 June 2013

In accordance with Articles 115 of the Corporation's Articles of Association Mr. Maina Mukoma, Dr. Lumbi Wa M'Nabea and Ms. Priscilla Kirigua, who were appointed to the Board on 9 November 2012 as directors, retire and shall offer themselves for election at the Annual General Meeting to be held on 7 June 2013.

Mr. Nelson Kuria retired as a director of the Corporation on 8 June 2012 and Mr. Mutwiri Ikiao resigned as a director on 3 September 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 2012.

BY ORDER OF THE BOARD

Secretary
23rd April 2013
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.

Jadiah Mwarania Principal Officer	Nelius Kariuki Chairman	Everest Lenjo Director

23rd April 2013

MANAGING DIRECTOR'S STATEMENT

PERFORMANCE
2012 has been another successful year for Kenya Reinsurance Corporation. The Corporation achieved impressive performance in all facets of its operations. The premiums written, cashflows, investments, profitability and assets base, among other indicators registered commendable growth in the year 2012. This good performance was driven by many factors among them focused marketing and better intermediary relationships, maintenance of an optimal business mix, proactive investments portfolio management, increased rental income, return from property sale as well as service delivery.

FINANCIAL RESULTS
During the year 2012, gross premium written grew by 20% from Kshs 6.6 Billion in the year 2011 to Kshs 7.9 Billion in the year 2012. The net earned premiums grew from Kshs 5.7 Billion to Kshs 7 Billion, a 23% increase. This growth in gross written premium was achieved as a result of overall insurance premiums growth in Kenya and the rest of Africa where the Corporation derives the bulk of its revenues. The Corporation earned new business shares and enjoyed tremendous support from cedants across its chosen markets. Retrocession premiums grew by 5% in line with overall growth in business and a more expensive retrocession market.

The net claims incurred grew by 38% to Kshs 4,062 Million. The growth in claims was as a result of overall business expansion within commensurate profiles of the portfolio risk.

Our investment income grew by 87% to Kshs 2,651 Million from Kshs 1,420 Million in 2011. Strong performance of the equities portfolio, the high interest rates environment enjoyed for most of 2012 and realization of gains from a property sold during the year had a bearing on the overall investment income. Our investment portfolio increased by 26% to Kshs 20.3 Billion.

OVERALL PERFORMANCE
Pretax profits grew by 45% from Kshs 2 Billion to 2.9 Billion in 2012. This impressive growth in profitability resulted from strong investment returns and reinsurance premium growth. Profit after tax increased by 46% from Kshs 1.9 Billion in 2011 to Kshs 2.8 Billion in 2012.

FINANCIAL POSITION
The Corporation's asset base increased by 25% from Kshs 19 Billion in 2011 to Kshs 23Billion in 2012. The shareholders funds were 27% up from Kshs 11.5 Billion to Kshs 14.6 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 and Global Credit Rating (GCR). The ratings are B+ and AA for domestic claims paying ability by the two rating agencies respectively.

MARKETS
Our good results have been achieved through consistent support and partnerships of the Kenyan insurance industry which remains our largest single market for the short term as well as long term business.

We were able to respond to the changing market needs and offered new covers for our clients. Following the recent oil exploration in Kenya, we are positioning ourselves adequately to provide reinsurance to this new frontier as and when need arises. We are working to create local capacity and expertise by training the insurance market. We are facilitating the bringing together of major players to work out a way of retaining insurance proceeds of the oil sector. To this end, we have organized seminars to create technical capacity in oil and gas insurance and reinsurance.

As we focus on expansion and growth of the business beyond existing markets, we look for opportunities to increase market share through introduction of new products and engaging in market diversification. Our launch of retakaful window and the unveiling of a new Sharia supervisory board stands to assure that Kenya Re is meeting the demands of the ever changing market dynamics. The launch of this window will strengthen the product offering locally and contribute the uptake of takaful products.

During the year 2012, we conducted technical reinsurance seminars and workshops in various countries like Kenya, Uganda, Ethiopia, Burundi and Ivory Coast. 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 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 made it necessary to create regional offices to be able to better service our increasing customer base in the chosen markets.

Our regional office in Abidjan, Cote D'ivore which we officially opened in 2012 has continued to perform well. This office caters for the Francophone West and North African insurance markets. We shall continue to use it as a launching pad for Islamic compliant reinsurance in the entire Francophone Markets. We are considering to open an additional branch in Southern Africa.

REBRANDING

During the review period of 2012, the Corporation attained 42 years of operation. We re-branded to reinvent and position ourselves for the next growth frontier. This journey is still on course and its fruits are evident in our good performance. We continue to take a thorough review of our internal systems, processes and corporate culture all geared towards greater service efficiency to our ever and increasingly discerning customers. We are determined to continue to demonstrate that we are a professional reinsurer, one that is aggressive and strong; with **"African experience and global wisdom".**

HUMAN CAPITAL

An organization is only as good as its human resources. We are building on a strong human capital base by recruiting and equipping staff with the right skills. We are focused on retaining our 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 it's corporate objectives cannot be realised.

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 recognising the need to generate profits and maximize shareholders' value, it equally fully appreciates it has to have a human face in dealing with society as a responsible corporate citizen. We have dedicated a part of our profits to giving back to the community through corporate social responsibility. We seek to sustain our '"Niko Fiti" - *Ability Beyond Disability* project with the objective of integrating persons living with disability into social and economic life through providing them with assistive devices. We will also focus 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 keen to ensure its sustainability.

THE FUTURE

The Corporation takes cognizance of increased competitive environment and continues to implement appropriate strategies to enhance its growth and profitability.

We believe we have the right strategy to navigate through the inevitable challenges that lie ahead in the many countries that we do and intend to do business in. Aggressive marketing in selected markets, enhanced stakeholder relationships, improved customer service, innovations in products and processes to meet the changing customer needs, and enhanced quality of service in our buildings shall remain our hallmarks.

Other strategic initiatives we seek to achieve include embracing of ICT, brand development, focused CSR initiatives, entrenching good corporate governance, embedding risk management and staff skills development and retention.

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 corporate objectives. These should continue to drive efficiencies and act as a framework around which we will execute international best practices.

CONCLUSION

I would like to express my gratitude to the board of directors and stakeholders for their invaluable support. None of what we have achieved in 2012 would have been possible without this critical 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 year 2012 wonderful results a reality.

We are confident that the initiatives outlined above, and many others in the pipeline, will bear fruit and position us in line with our vision: **"to be the reinsurer of choice in our chosen markets.'**

Thank you.

Jadiah Murungi Mwarania
Managing Director

TAARIFA YA MKURUNGENZI MSIMAMIZI

MATOKEO

Mwaka wa 2012 umekuwa mwaka wenye mafanikio kwa shirika la Kenya Reinsurance corporation. Shirika hili lilipata matokeo ya kuvutia katika nyanja zote za utendakazi wake. Malipo ya bima yaliyopatikana, mtiririko wa kifedha, uwekezaji, upataji faida na msingi wa rasilmali, miongoni mwa viashiria vingine vilikua kwa njia ya kuridhisha katika mwaka wa 2012. Matokeo haya mazuri yalitokana na sababu nyingi, miongoni mwa sababu hizo ni uwepo wa mbinu muafaka za kuzingatia utafutaji wa masoko na mahusiano mema baina ya mashirika, udumishaji wa mseto wa juu wa biashara, usimamizi bora wa kitengo cha uwekezaji, ongezeko la mapato ya kodi, mauzo ya rasilmali pamoja na utoaji huduma.

MATOKEO YA KIFEDHA

Katika mwaka wa 2012, malipo ya jumla ya bima yalikuwa kwa asilimia 20 kutoka Shilingi Bilioni 6.6 katika mwaka 2011 hadi Shilingi Bilioni 7.9 katika mwaka wa 2012. Malipo ya bima baada ya kuondoa gharama yalitoka Shilingi Bilioni 5.7 hadi Shilingi Bilioni 7, ikiwa ni ongezeko la asilimia 23. Ukuaji huu katika malipo ya jumla ulipatikana kutokana na ukuaji wa malipo ya bima nchini Kenya na kwingineko barani Afrika kwa jumla, mahali ambapo shirika hili hupata sehemu kubwa ya mapato yake. Shirika hili lilijipatia posho mpya ya kibiashara na kufurahia mchango mkubwa kutoka kwa mashirika yaliyolikabidhi biashara zake kote katika masoko yake teule. Malipo ya bima ya kampuni za bima yaliyochukuliwa na shirika hili yalikua kwa asilimia 5 kulingana na ukuaji wa jumla wa biashara hii na soko ghali, kwa kiasi, la bima hizo za kampuni zilizochukuliwa.

Malipo ya bima baada ya gharama yalikua kwa asilimia 38 hadi shilingi Milioni 4,062. Ukuaji katika malipo hayo ulitokana na upanuzi wa jumla wa biashara kwenye vitengo m'badala vya hazina ya kushughulikia hatari.

Mapato yetu ya uwekezaji yalikua kwa asilimia 87 hadi shilingi Milioni 2, 651 kutoka shilingi Milioni 1,420 mnamo 2011. Matokeo thabiti ya kitengo cha hisa, yakiwa mazingira yaliyotuletea riba kubwa zaidi, katika mwaka wa 2012 na kufanikiwa kupata faida kutokana na amali zilizouzwa katika mwaka huo yaliathirika kwa mapato ya jumla ya uwekezaji. Kitengo chetu cha uwekezaji kilikuwa kwa asilimia 26 hadi shilingi Bilioni 20.3.

MATOKEO YA JUMLA

Faida kabla ya ushuru ilikua kwa asilimia 45 kutoka ksh 2 Bilioni hadi 2.9 Bilioni katika mwaka wa 2012. Ukuaji huu wa kuvutia katika faida ulitokana na mapato mazuri ya uwekezaji na ukuaji wa malipo ya bima. Faida baada ya ushuru iliongezeka kwa asilimia 46 kutoka ksh 1.9 Bilioni mwaka 2011 hadi ksh2.8 Bilioni mwaka 2012.

HALI HALISI YA KIFEDHA

Mtaji wa rasilmali wa shirika hili uliongezeka kwa asilimia 25 kutoka Ksh. 19 Bilioni za mwaka 2011 hadi Ksh.23 Bilioni mwaka 2012. Fedha za wenyehisa ziliongezeka kwa asilimia 27 kutoka Ksh.11.5 Bilioni hadi Ksh.14.6 Bilioni.
Ongezeko hili katika uwezo wa kifedha wa shirika hili unathibitishwa kwa viwango vya kifedha tunavyozidi kupewa na mashirika ya kimataifa ya kupima viwango vya kifedha ikiwemo A.M. Best na Global Credit Rating (GCR). Viwango hivyo ni B+ na AA kwa kutegemea uwezo wa kulipa madeni ya nyumbani ambavyo ni viwango vinavyotolewa na mashirika haya mawili ya kupima viwango mtawalia.

MASOKO

Matokeo yetu mazuri yamepatikana kupitia kwa msaada thabiti na ushirikiano wa mashirika ya bima ya Kenya ambayo yanabakia kuwa soko kuu zaidi kwa biashara yetu ya muda mfupi na hata kwa kipindi kirefu.

Tulifanikiwa kutosheleza mahitaji ya soko hili linalobadilika mara kwa mara na tukatoa bima mpya kwa wateja wetu. Kutokana na shughuli za uvumbuzi wa mafuta nchini Kenya, tunajiweka katika nafasi nzuri ya kutoa bima kuu katika nafasi hizi mpya kila zinapochipuka. Tunazidi kujizatiti kuunda uwezo wa kinyumbani na utaalamu kwa kufundisha juu ya soko la bima. Tunazidi kuwezesha kuwahusisha wahusika wakuu ili kubuni njia ya kuimarisha mapato ya bima yanayotokana na sekta ya mafuta. Kuhusiana na hili, tumeandaa seminaa za kubuni uwezo wa kiufundi katika bima na bima kuu za mafuta na gesi.

Huku tunapolenga upanuzi na ukuzaji wa biashara kuzidi masoko yaliyopo, tunatazamia pia nafasi za kuongeza posho letu katika soko kupitia kwa uanzishaji wa bidhaa mpya na kujitahidi kuongeza masoko. Kuzindua kwetu kwa kitengo cha retakaful na kuanzisha bodi mpya ya usimamizi wa shariah kunalenga kuhakikisha kuwa Kenya Re inatimiza matakwa ya soko hili linalozidi kubadilika kila kukicha. Uzinduzi wa kitengo hiki utaimarisha bidhaa zinazotolewa humu nchini na kuchangia katika ununuzi wa bidhaa za takaful.

Katika mwaka wa 2012, tuliendesha semina na makongamano ya kiufundi kuhusu bima kuu katika mataifa mbalimbali kama vile: Kenya, Uganda, Ethiopia, Burundi na Ivory Coast. Hatua hii ilituwezesha kupata baishara zaidi na wateja waaminifu.

KUANZISHWA KWA AFISI ZA NYANJANI

Kwa miaka kadha shirika hili limetegemea tawi lake kuu ili kuwahudumia wateja wake kote barani Afrika, Mashariki ya Kati na Asia. Japo hali hii imetumika kwa miaka mingi sasa, haja kuu ya uzingatiaji mkuu wa wateja hasa katika utoaji huduma bora pamoja na haja ya kusimamia vyema gharama za utendakazi ilitufanya kufungua afisi za kimaeneo ili kuweza kuwahudumia vyema wateja wanaoendelea kuongezeka katika masoko teule.

TAARIFA YA MKURUNGENZI MSIMAMIZI (continued)

Kampuni yetu tanzu ya huko mjini Abijan, Cote d'Ivoire iliofunguliwa rasmi mnamo 2012 na kuendelea kupata ufanisi mkubwa. Afisi hiyo inahudumia masoko ya bima katika mataifa yanayozungumza Kifaransa katika Magharibi na Kaskazini mwa Afrika. Tutaendelea kuutumia kama jukwaa la kuzindulia bima kuu ya Kiislamu katika Masoko ya Lugha ya Kifaransa kote. Tunazidi kuwazia kuhusu kufungua kampuni tanzu zaidi katika ukanda wa Afrika ya Kusini.

KUZINDUA UPYA NEMBO YETU

Katika kipindi hiki kinachochanganuliwa cha 2012, shirika hili liliadhimisha miaka 42 tangu liasisiwe. Tulijipatia sura mpya ili kujizindua na kujiweka katika nafasi nzuri ya kunufaika na nafasi mpya za ukuaji zijazo. Safari hii bado inaendelea vyema na matunda yake yanaonekana katika matokeo yetu mazuri. Tunaendelea kufanya uchanganuzi mzuri wa mifumo yetu ya ndani, harakati zetu na desturi yetu ya kishirika kwa lengo la kufikia utoaji huduma bora zaidi kwa wateja wetu wanaoendelea kuongezeka.
Tunajitolea kuendelea kuonyesha kwamba sisi ni wanabima wataalamu, wakakamavu na walio thabiti; wenye 'tajriba ya Afrika na hekima ya kimataifa'.

WAFANYIKAZI

Shirika bora hutegemea pakubwa wafanyakazi wake bora. Tunazidi kujijenga kwenye msingi bora wa wafanyikazi kwa kuajiri na kuwapa wafanyikazi maarifa yanayofaa. Tumezingatia kudumisha kikosi chetu cha wataalamu waliofuzu kiufundi. Hii ni muhimu katika utoaji huduma kwa wateja na uundaji thamani kwa wenyehisa wetu. Kampuni hii inajitolea kuunda kundi la wafanyikazi wenye motisha na wanaolipwa vizuri, ambao inawatambua kama mtaji wenye thamani kuu ambao bila wao malengo yake ya kishirika hayawezi kupatikana.

WAJIBU WA SHIRIKA KWA JAMII (CSR)

Kenya Re ni shirika la kiraia linalowajibika. Linajitolea kwa kujali maslahi ya jamii inazofanya biashara kwazo. Huku likitambua haja ya kuunda faida na kudumisha thamani ya juu ya wenyehisa, pia linatambua kuwa lazima liwe na ubinadamu katika kushirikiana na jamii kama shirika la kiraia lenye kuwajibika. Tumetenga sehemu ya faida zetu kwa lengo la kuirejesha kwa jamii kupitia wajibu wa shirika kwa jamii.

Tunajitahidi kudumisha mradi wetu wa "niko fiti" – uwezo unaozidi mapungufu kwa lengo la kuwashirikisha walemavu katika maisha ya kijamii na kiuchumi kwa kuwapa vifaa vya kuwafaa. Pia tutazingatia kuangamiza unyanyapaa katika jamii ya Kenya.

Mradi huu umefanikiwa pakubwa na umetuletea nia njema miongoni mwa jamii ya Wakenya na taswira nzuri kutoka kwa umma kwa jumla. Tunamakinika ili kuhakikisha mradi huo unadumishwa.

MUSTAKABALI

Shirika hili linatambua kuwepo kwa mazingira yenye ushindani na hivyo linaendelea kutekeleza mikakati ifaayo ili kuboresha ukuaji wake na upatikanaji wa faida.

Tunaamini tunayo mikakati kabambe itakayotuwezesha kushinda changamoto zinazotukabili katika mataifa mengi ambayo tunakusudia kufanya biashara yetu huko. Ukakamavu katika utangazaji wa huduma na bidhaa katika masoko teule, mahusiano thabiti ya washikadau, huduma za wateja zilizoimarishwa, ubunifu wa bidhaa na harakati za kutimiza mahitaji ya wateja ambayo hubadilika kila mara, na huduma zilizoimarishwa katika majengo yetu, yote hayo yatabakia kuwa maazimio yetu.

Mikakati mingine mahsusi tunayolenga kufikia inahusisha ukumbatiaji wa teknohama (teknolojia ya habari na mawasiliano) yaani ICT, ubunaji miundo, miradi zingativu ya CSR, uimarishaji wa usimamizi mzuri wa shirika, uimarishaji wa kukabiliana na hatari na ustawishaji wa ujuzi wa wafanyakazi na udumishaji wao.

Kudumishaji kwa ufanisi wetu kupitia mfumo wa usimamizi bora wa (ISO 9001:2008),uwezo wetu wa kifedha na viwango vya kifedha sawa sawa na uimarishaji kwa njia ya utoaji wa kandarasi ya utendakazi, vitabakia kukita katika malengo yetu ya shirika. Haya yanafaa yaendelee ili kuthibiti taratibu za ubora na kubakia kama muongozo tutakaotumia ili kudumisha mienendo bora ya kimataifa.

HITIMISHO

Ningependa kutoa shukrani zangu kwa bodi ya wakurugenzi wakuu na washikadau kwa msaada wao usio na kifani. Hakuna chochote tulichofikia katika mwaka wa 2012 kingewezekana bila ya msaada huu muhimu. Hivyo basi, kwa niaba yangu na kwa niaba ya usimamizi pamoja na wafanyikazi wa Kenya Re, ninashukuru wateja wetu wote na washirika wa kibiashara kwa kuzidi kuelekeza na kusaidia biashara yetu. Ninatambua kwa njia ya kipekee jitihada na kujitolea kwa wenzangu waliofanikisha ufikiaji wa matokeo haya ya kuridhisha ya mwaka 2012. Tunabakia na imani kuwa mipango iliyotajwa hapo juu, na mingineyo mingi, itafaulu na kutuweka katika mkondo wa azimio letu: 'kuwa shirika kuu pendwa la bima kote katika masoko teule.'

Asante.

Jadiah Murungi Mwarania
Mkurugenzi Mkuu Msimamizi

MANAGEMENT TEAM PROFILES

JADIAH MWARANIA, 48 - MANAGING DIRECTOR

Mr. Mwarania was appointed the Managing Director of the Corporation on 12th April 2011. He has worked with the Corporation for over 20 years and was previously the General Manager (Reinsurance Operations). 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 (FIIK). 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 of the Association of Kenya Reinsurers (AKR).

BETH S. NYAGA, 47 - GENERAL MANAGER (REINSURANCE OPERATIONS)

Beth S.Nyaga is the General Manager, Reinsurance Operations. She joined the Corporation 22 years ago as a Management trainee. She rose through the ranks to the current position which she has been holding since 2010. She has a wide range of experience in insurance and reinsurance both life and non-life, claims management, business development etc. She has also carried out technical trainings in different areas of reinsurance. She holds a Bachelor of Commerce (B.COM) (HONS.) degree from the University of Nairobi and as well as a Master of Business Administration (MBA) degree from the East and Southern Africa Management Institute. She is 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.

MICHAEL J. MBESHI, 49 - GENERAL MANAGER (PROPERTY & ADMINISTRATION)

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 & Administration. Mr. Mbeshi holds a Bachelor of Arts (Land Economics) from the University of Nairobi. He is a full member of the Institute of Surveyors of Kenya and the Kenya Institute 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 Valuer 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 is a member of the Board of Trustees of Kenya Re Pension Scheme. He has over 23 years working experience.

ROGERS KINOTI M'ARIBA, 36 - GENERAL MANAGER (FINANCE & INVESTMENTS)

Mr. Kinoti joined the Corporation in 2011. Previously he worked for various firms in Insurance and Fund Management for over 10 years. He is an investment specialist and an accountant. He leads the Finance, Investments and Procurement functions of the Corporation. Mr. Kinoti holds a Master of Arts 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, 36 – 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, US. 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.

STATEMENT ON CORPORATE GOVERNANCE

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

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

Board of Directors

The roles and functions of the Chairman and the Managing Director are distinct and their respective responsibilities clearly defined within the Corporation. The Board comprises of eleven (11) directors ten (10) of whom are 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 six (6) 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 Ali	
Dr. Lumbi Wa M'Nabea	
Priscilla Kirigua	
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 two (2) special meetings in the year under review.

b) Risk & Compliance Committee

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

Gladys Mboya	- Chairman
Felix Okatch	
Priscilla Kirigua	
Maina Mukoma	
Jadiah Mwarania	
Permanent Secretary	- Treasury

STATEMENT ON CORPORATE GOVERNANCE

The responsibilities of this Committee include:

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

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

c) Human Resources Committee

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

Dr. Iruki Kailemia	- Chairman
Jacob Haji	
Everest Lenjo	
Dr. Lumbi Wa M'Nabea	
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 three (3) special meetings in the year under review.

d) Finance Investment and Tender Oversight Committee

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

Felix Okatch	- Chairman
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.

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 2012 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 2012 were as follows:

STATEMENT ON CORPORATE GOVERNANCE

Directors' interests as at 31 December 2012:

Name of Directors	Number of shares	% Shareholding
Permanent Secretary to the Treasury of Kenya	420,000,000	60
Jadiah Mwarania	98,925	-
Nelius Kariuki	38,510	-
Gladys Mboya	18,400	-
Jacob Haji Ali	2,336	-
Felix Okatch	1,933	-
Dr. Iruki Kailemia	1,537	-
Everest Lenjo	1,166	-
	420,162,807	**60**

Major Shareholders	Number of shares	% Shareholding
Permanent Secretary to the Treasury of Kenya	420,000,000	60.004
Cooperative Bank Custody A/C 4003A	14,614,072	2.088
National Social Security Fund	10,737,910	1.534
Standard (K) Nominees Ltd A/C 9230	10,567,817	1.510
Gidjoy Investments Limited	10,271,382	1.467
Cooperative Custody A/C 400	38,296,417	1.185
CFC Stanbic Nominees Ltd A/C R48701	6,361,231	0.909
Standard (K) Nominees Ltd A/C Ke11993	4,916,666	0.702
Standard (K) Nominees Ltd A/C 9187	3,915,492	0.559
Continental Reinsurance Plc	3,230,315	0.462
	492,911,302	**70.421**

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

Shares Range	Shareholders	Number of Shares	% Shareholding
1 - 1,000	95,436	30,513,092	4.36
1,001 - 5,000	16,489	31,750,147	4.54
5,001 - 10,000	1,630	11,233,480	1.61
10,001 - 100,000	1,562	38,597,667	5.51
100,001 - 1,000,000	166	46,661,002	6.67
1,000,001 - 5,000,000	29	60,344,851	8.62
5,000,001 - 10,000,000	2	14,657,648	2.09
10,000,001 & above	5	466,191,181	66.60
	115,319	**699,949,068**	**100.00**

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

Nationality	Shareholders	Shares held	% Shareholding
Local Individual Investors	107,562	111,924,231	15.99
Local Institutional Investors	7,192	572,070,403	81.73
Foreign Investors	565	15,954,434	2.28
	115,319	**699,949,068**	**100.00**

Chairman

Director

CORPORATE SOCIAL RESPONSIBILITY

As a testimony to our concerted efforts towards giving back to the society, Kenya Re has continued to participate in various Corporate Social Responsibility (CSR) projects. Our flagship CSR project is the **Niko Fiti** - ***Ability Beyond Disability campaign.***

More than a year has gone by since we launched this campaign that embodies the concept that there is life beyond disability. Following the launch event, we have received enormous support from both corporates as well as well wishers who believe in our cause. Partnering with the Association for the Physically Disabled of Kenya (APDK), we have managed to fit beneficiaries with assistive devises ranging from wheel chairs to walking canes that have gone a long way in improving their quality of life. In providing these assistive devices, Kenya Re ensures that the physically disabled compete equally for the scarce and dwindling resources available.

Having analysed various possible campaigns that we could engage in, ranging from education to environmental conservation, we settled on **Niko Fiti**, which offers long term stakeholder value. At Kenya Re, we have committed a percentage of our annual profits to go towards this noble cause to ensure that persons with disability integrate wholly with society.

Through this noble campaign we aim to promote mobility and accessibility of persons with physical disabilities and mobility impairments through provision of assistive devices. By so doing, the beneficiaries can now engage in daily community, social and nation building activities. The campaign also aims at distigmatizing disability in the Kenyan society.

This year, we hope to take this initiative to the people in the county level through caravans that will see us fit an additional 500 beneficiaries.

OTHER CSR ACTIVITIES

In 2012, Kenya Re staff also participated in other CSR initiatives championed by other organisations including the Standard Chartered marathon and Mater Heart Run. In July the Corporation donated foodstuff to Mama Fatuma Children's Home during the holy month of Ramadan when our Muslim brothers and sisters are fasting. The Corporation donates to this home every year.

The Kenya Re Peer Team visited Maxfacta Youth Home in Soweto Kayole in September. The Peer Team (commonly known as peer educators) is comprised of 14 members of staff who have been trained in counseling and their role is to support fellow staff regarding challenges they face in life. The Peer team also handles counseling related to HIV/Aids, alcohol and substance abuse. The team donated food stuffs, clothes, mattresses and money to help in the running of the home.

The Peer Team has also visited Mother's Mercy Home in Kiambu District where staff gave foodstuffs and a cheque. In December, they visited Kabiro School within Kawangware slums and donated foodstuffs, stationery and sanitary towels. The institution provides refuge for HIV/AIDS orphans. As part of community outreach, the Corporation gave financial assistance to Katangi special school for the disabled in Machakos and a diary cow which provides milk to the home.

ACTUARY'S CERTIFICATE

Kenya Reinsurance Corporation Limited
Report on the Actuarial Valuation of the Life Fund as at 31 December 2012

Actuary's Certificate

Kenya Reinsurance Corporation Limited

Actuarial Valuation as at 31 December 2012

Actuary's Solvency 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 2012 do hereby certify as under:-

a) that in my opinion the value placed upon the aggregate liabilities relating to the Statutory Funds of **Kenya Reinsurance Corporation Limited** in respect of policies on the basis of valuation adopted by me is not less than what it would have been if the aggregate value had been calculated on the minimum basis prescribed;

b) that necessary steps as required under Section 58 (5) (a) were taken; and

c) that I am satisfied that the valuation of assets adopted by me are, on the basis of the Auditor's certificates appended to the balance sheet, fully of the value so adopted.

....

James I. O. Olubayi

Fellow of the Institute of Actuaries

Nairobi

April 2013

REPORT OF AUDITOR GENERAL

REPUBLIC OF KENYA

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P.O. Box 30084–00100
NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON KENYA REINSURANCE CORPORATION LIMITED FOR THE YEAR ENDED 31 DECEMBER 2012

REPORT ON THE FINANCIAL STATEMENTS

The financial statements of Kenya Reinsurance Corporation Limited set out on pages 33 to 72, which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information have been audited on my behalf by Deloitte 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

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 the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

REPORT OF AUDITOR GENERAL

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

An audit involves performing procedures to obtain 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 2012, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, Cap. 486 of the Laws of Kenya.

REPORT ON 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 and statement of comprehensive income are in agreement with the books of account.

Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

23 April 2013

AFISI YA KITAIFA YA UKAGUZI WA MAHESABU YA KIFEDHA

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AFISI YA KITAIFA YA UKAGUZI WA MAHESABU YA KIFEDHA

RIPOTI YA MKAGUZI MKUU WA KIFEDHA WA KITAIFA KUHUSU SHIRIKA LA KENYA REINSURANCE CORPORATION LIMITED KATIKA MWAKA ULIOKAMILIKIA TAREHE 31 DESEMBA 2012

RIPOTI KUHUSU MAHESABU YA KIFEDHA

Taarifa ya mahesabu ya kifedha ya shirika la Kenya Reinsurance Corporation Limited yaliyo katika ukurasa wa 33 hadi 72, na yanayojumuisha tarifa ya uhalisia wa kifedha hadi kufikia tarehe 31 Desemba 2012, na taarifa kamili ya mapato kamili, taarifa ya mabadiliko katika hisa na taarifa ya kuingia kwa fedha taslimu katika mwaka uliokwisha, na mukhtasari wa sera muhimu za uhasibu pamoja na habari nyingine fafanuzi, zimekaguliwa kwa niaba yangu na shirika la Deloitte Touche, ambao ni wakaguzi wa mahesabu walioteuliwa chini ya Sehemu ya 39 ya Sheria ya Ukaguzi wa Umma ya 2003. Ukaguzi huo uliendeshwa kulingana na sheria za Kifungu cha 229 cha Katiba ya Kenya na Sehemu ya 14 ya Sheria ya Ukaguzi wa Umma, 2003. Wakaguzi wameripoti kwangu matokeo ya ukaguzi wao ipasavyo na kwa msingi wa ripoti, nimeridhika kuwa kila habari na maelezo ambayo, kwa ufahamu wangu timamu na imani yangu, yalistahili kwa ajili ya ukaguzi huo uliofanyika.

Uwajibikaji wa Usimamizi kuhusiana na Mahesabu hayo ya Kifedha
Usimamizi unawajibika kwa maandalizi na uwasilishaji bora wa mahesabu haya ya kifedha kulingana na Kiwango cha Kimataifa cha Matangazo ya Kifedha na kanuni za ndani kama usimamizi unavyoamua kuwa zinafaa ili kuwezesha maandalizi ya taarifa za kifedha zisizokuwa na dosari ya rasilmali, ama kutokana na ulaghai au kosa bila kukusudia.

Usimamizi pia unawajibikia uwasilishaji wa taarifa za kifedha kwa Mkaguzi Mkuu kulingana na sheria za Sehemu ya 13 ya Sheria ya Ukaguzi wa Umma ya 2003.

Jukumu la Mkaguzi Mkuu wa Kifedha
Jukumu langu ni kueleza maoni kwenye nakala hizi za kifedha kwa kuzingatia ukaguzi na kutoa ripoti kulingana na sheria za Sehemu ya 15 (2) ya Sheria ya Ukaguzi wa Umma ya 2003 na kuwasilisha ripoti ya ukaguzi kwa mujibu wa Kifungu cha 229(7) cha Katiba ya Kenya. Ukaguzi ulifanyika kulingana na Viwango vya Kimataifa vya Ukaguzi. Viwango hivyo vinahitaji uzingatie vigezo vya maadili na kwamba ukaguzi upangwe na kutekelezwa ili kufikia hakikisho linalostahili kuhusu iwapo nakala hizo za kifedha hazina dosari za kirasilmali.
Ukaguzi unajumuisha kuufuata utaratibu ili kupata ushahidi wa ukaguzi kuhusu kiasi cha fedha na yaliyobainika kwenye taarifa za kifedha. Harakati zilizochaguliwa hutegemea vigezo vya mkaguzi, ikiwemo tathmini ya hatari ya kutokea dosari ya rasilmali katika taarifa za kifedha, ikiwa ni kutokana na ulaghai au kimakosa tu. Katika kutathmini kwa ajili ya hatari, mkaguzi anazingatia kanuni za kudhibiti za ndani zinazofaa katika maandalizi ya ujazaji mahesabu pamoja na uwasilishaji bora wa taarifa za kifedha ili kusanifu harakati za ukaguzi ambazo zinafaa katika mazingira, lakini siyo kwa ajili ya kuelezea maoni kuhusu ubora wa kanuni za ndani za Shirika. Ukaguzi lazima ujumuishe kuchunguza ufaafu wa sera za uhasibu zilizotumiwa pamoja na urazini wa makadirio ya uhasibu yaliyofanywa na usimamizi, sawia na kuchunguza mawasilisho ya nakala za kifedha kwa jumla.

Ninaamini kuwa ushahidi wa ukaguzi uliopatikana unatosha na unafaa kutoa msingi wa maoni yangu ya ukaguzi.

Maoni
Katika maoni yangu, taarifa za kifedha zinawasilisha vyema, katika rasilmali zote, hali ya kifedha ya Shirika hili kufikia tarehe 31 Desemba 2012, na matokeo yake ya kifedha pamoja na kuingia kwa fedha katika mwaka uliokamilika, kulingana na Viwango vya Kimataifa vya Matangazo ya Kifedha na kwa mujibu wa Sheria za Kampuni, Sura ya 486 ya Sheria za Kenya.

RIPOTI KUHUSU MAHITAJI MENGINEYO YA KISHERIA NA YA KIUSIMAMIZI

Kama inavyotakikana katika Sheria ya Kampuni nchini Kenya, ninatangaza kwa kuzingatia ukaguzi huo, kwamba:

i. Nimepata habari zote na maelezo ambayo, kulingana na ufahamu wangu na imani yangu, yalihitajika kwa ajili ya ukaguzi;
ii. Kwa maoni yangu, uhifadhi mzuri wa mabuku ya hesabu umedumishwa na Shirika hili, kama inavyoonekana katika uchunguzi wangu wa mabuku hayo; na,
iii. Ripoti ya Shirika ya hali ya kifedha na ripoti ya mapato kamili zinakubaliana na vitabu vya mahesabu.

Edward R.O. Ouko, CBS
MKAGUZI MKUU WA KIFEDHA
Nairobi
23 Aprili 2013

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Long term business Shs '000	Short term business Shs '000	Total 2012 Shs '000	Total 2011 Shs '000
Income					
Gross premiums written		1,052,583	6,891,600	7,944,183	6,613,884
Less: change in unearned premiums		-	(505,533)	(505,533)	(513,276)
Less: retrocession premiums		(148,345)	(235,990)	(384,335)	(365,930)
Net Earned Premiums	6	904,238	6,150,077	7,054,315	5,734,678
Investment income	7	555,471	2,095,951	2,651,422	1,419,902
Commissions receivable		69,012	1,182	70,194	27,202
Fair value gains on revaluation of investment properties	15	80,771	442,237	523,008	684,498
Other income	8	-	94,254	94,254	72,093
Net Income		**1,609,492**	**8,783,701**	**10,393,193**	**7,938,373**
Gross claims incurred		(252,268)	(3,969,308)	(4,221,576)	(3,263,744)
Amounts recoverable from retrocessionaires		-	159,999	159,999	323,889
Net Claims Incurred	**9**	**(252,268)**	**(3,809,309)**	**(4,061,577)**	**(2,939,855)**
Commissions payable		(272,338)	(1,769,517)	(2,041,855)	(1,729,908)
Operating and other expenses	10	(112,835)	(971,306)	(1,084,141)	(773,051)
Provision for doubtful debts		-	(466,919)	(466,919)	(646,559)
Total Expenses		**(385,173)**	**(3,207,742)**	**(3,592,915)**	**(3,149,518)**
Share of Profit of Associate	18	-	205,934	205,934	187,777
Profit Before Taxation		972,051	1,972,584	2,944,635	2,036,777
Taxation Charge	12(a)	(26,527)	(116,216)	(142,743)	(122,193)
Profit For The Year		**945,524**	**1,856,368**	**2,801,892**	**1,914,584**
Other Comprehensive Income/(loss)					
Fair value (loss)/gain arising on revaluation of available-for-sale financial assets	29	-	779,704	779,704	(544,462)
Reclassification from equity of accumulated fair value gain on available-for-sale financial assets sold in the year	7	-	(314,209)	(314,209)	(237,162)
Share of movement in associate reserves:					
– currency translation	18	-	15,757	15,757	47,412
– fair value reserve	18	-	13,812	13,812	(21,543)
– revaluation reserve	18	-	2,180	2,180	828
Surplus on revaluation of equipment		-	-	-	4,158
Deferred tax on revaluation of equipment		-	-	-	(832)
Adjustment to deferred tax on revaluation surplus due to Change in tax rate from 20% to 30%		-	(2,466)	(2,466)	-
		-	494,778	494,778	(751,601)
Total Comprehensive Income For The Year		**945,524**	**2,351,146**	**3,296,670**	**1,162,983**
Earnings Per Share - basic and diluted	13			4.00	2.74

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Notes	Long term business Shs '000	Short term business Shs '000	Total 2012 Shs '000	Total 2011 Shs '000
Income					
Investment properties	15	1,050,000	4,885,000	5,935,000	5,365,000
Property and equipment	16	-	80,511	80,511	87,196
Intangible assets	17	-	2,604	2,604	10,472
Investment in associate	18	-	1,340,048	1,340,048	1,133,445
Deferred taxation asset	19	-	614,709	614,709	330,551
Deferred acquisition costs	20	-	761,158	761,158	626,597
Unquoted equity instruments	21	-	89,971	89,971	89,971
Inventories	22	-	28,794	28,794	28,794
Non current assets held for sale	23	-	40,032	40,032	186,858
Mortgage loans	24	-	521,539	521,539	320,074
Taxation recoverable	12(c)	-	-	-	15,795
Receivables arising out of reinsurance arrangements	25	28,956	1,489,546	1,518,502	1,248,975
Premium and loss reserves	26	-	290,178	290,178	337,672
Other receivables	27	-	56,470	56,470	42,781
Corporate bonds	28	-	153,970	153,970	48,393
Quoted equity instruments	29	-	2,436,749	2,436,749	2,008,823
Government securities	30	1,511,468	3,947,650	5,459,118	3,357,582
Deposits with financial institutions	31	1,820,218	2,397,171	4,217,389	3,687,082
Cash and bank balances	41	67,831	173,384	241,215	170,380
Total Assets		**4,478,473**	**19,309,484**	**23,787,957**	**19,096,441**
Equity					
Share capital	32	-	1,749,873	1,749,873	1,500,000
Revaluation reserve	33	-	15,994	15,994	13,439
Fair value reserve	33	-	1,299,255	1,299,255	817,768
Translation reserve	33	-	145,305	145,305	129,548
Statutory reserve	33	2,402,630	-	2,402,630	1,457,106
Retained earnings	33	-	9,000,098	9,000,098	7,608,624
Shareholders' funds		**2,402,630**	**12,210,525**	**14,613,155**	**11,526,485**
Liabilities					
Long term reinsurance contract liabilities	34	2,073,032	-	2,073,032	2,285,709
Short term reinsurance contracts liabilities	35	-	3,049,991	3,049,991	2,373,622
Unearned premiums	36	-	2,662,244	2,662,244	2,156,709
Payables arising out of reinsurance arrangements	37	2,811	706,634	709,445	394,555
Defined benefit liability	38	-	96,190	96,190	118,560
Other payables	39	-	419,239	419,239	240,801
Taxation payable	12(c)	-	164,661	164,661	-
Total Liabilities		**2,075,843**	**7,098,959**	**9,174,802**	**7,569,956**
Total Equity And Liabilites		**4,478,473**	**19,309,484**	**23,787,957**	**19,096,441**

The financial statements on pages 33 to 72 were approved by the board of directors on 23rd April 2013 and were signed on its behalf by:

Principal Officer

Chairman

Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	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
At 1 January 2011		**1,500,000**	**8,291**	**1,620,935**	**82,136**	**1,016,714**	**6,345,426**	**10,573,502**
Profit for the year		-	-	-	-	440,392	1,474,192	1,914,584
Other comprehensive (loss)/ income		-	4,154	(803,167)	47,412	-	-	(751,601)
Total comprehensive income		**-**	**4,154**	**(803,167)**	**47,412**	**440,392**	**1,474,192**	**1,162,983**
Dividends declared - 2010	14	-	-	-	-	-	(210,000)	(210,000)
Transfer of excess depreciation		-	1,242	-	-	-	(1,242)	-
Deferred taxation thereon		-	(248)	-	-	-	248	-
At 31 December 2011		**1,500,000**	**13,439**	**817,768**	**129,548**	**1,457,106**	**7,608,624**	**11,526,485**
At 1 January 2012		**1,500,000**	**13,439**	**817,768**	**129,548**	**1,457,106**	**7,608,624**	**11,526,485**
Issue of shares (note 32)		249,873	-	-	-	-	(249,873)	-
Profit for the year		**-**	**-**	**-**	**-**	**945,524**	**1,856,368**	**2,801,892**
Other comprehensive (loss)/income		-	(2,466)	481,487	15,757	-	-	494,778
Total comprehensive income		**-**	**(2,466)**	**481,487**	**15,757**	**945,524**	**1,856,368**	**3,296,670**
Dividends declared - 2011	14	-	-	-	-	-	(210,000)	(210,000)
Transfer of excess depreciation		-	7,173	-	-	-	(7,173)	-
Deferred taxation thereon		-	(2,152)	-	-	-	2,152	-
At 31 December 2012		**1,749,873**	**15,994**	**1,299,255**	**145,305**	**2,402,630**	**9,000,098**	**14,613,155**

STATEMENT OF CASH FLOWS
AS AT 31 DECEMBER 2012

	Notes	2012 Shs '000	2011 Shs '000
Cash flows from operating activities			
Cash generated from operations	40	562,071	1,201,068
Interest received on corporate bond		5,925	5,925
Interest received on government securities		520,185	270,040
Tax paid in the year	12(c)	(248,911)	(307,847)
Net cash generated from operating activities		**839,270**	**1,169,186**
Cash flows from investing activities			
Purchase of investment property	15	(46,992)	(64,002)
Purchase of property and equipment	16	(12,216)	(20,415)
Proceeds of disposal of equipment	16	-	6,650
Dividend received from associate company	18	31,080	33,759
Net cash used in investing activities		**(28,128)**	**(44,008)**
Cash flows from financing activities			
Dividends paid	14	(210,000)	(210,000)
Net increase in cash and cash equivalents		601,142	915,178
Cash and cash equivalents at 1 January		3,857,462	2,942,284
Cash and cash equivalents at 31 December	**41**	**4,458,604**	**3,857,462**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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 2012

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 IFRS 7 Disclosures - Transfers of Financial AssetsThe 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 of transactions where a financial asset is transferred but the transferor retains some level of continuing exposure in the asset.

The application of the amendment had no effect on the Corporation's financial statements as the Corporation did not transfer any such financial assets during the year.

Amendments to IAS 12 Deferred Tax, Recovery of Underlying Assets - The amendments to IAS 12 provide an exception to the general principle set out in IAS 12 Income Taxes that the measurement of deferred tax should reflect the manner in which an entity expects to recover the carrying amount of an asset. Specifically, the amendments establish a rebuttable presumption that the carrying amount of an investment property measured using the fair value model in IAS 40 Investment Property will be recovered entirely through sale. The amendments were issued in response to concerns that application of IAS 12's general approach can be difficult or subjective for investment property measured at fair value because it may be that the entity intends to hold the asset for an indefinite or indeterminate period of time, during which it anticipates both rental income and capital appreciation.

The Corporation has applied the amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes unless the presumption is rebutted.

The Corporation measures its investment properties using the fair value model. As a result of the application of the amendments to IAS 12, the directors reviewed the Corporation's investment property portfolios and concluded that none of the Corporation's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the presumption set out in the amendments to IAS 12 is not rebutted.

The application of the amendments to IAS 12 has no effect on the Corporation's financial statements because the Corporation does not recognise any deferred taxes on changes in fair value of investment properties as the Corporation is not subject to any income taxes on disposal of its investment property.

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2012

New and Amendments to standards	**Effective for annual periods beginning on or after**
Amendments to IAS 1 Presentation of Items of Other Comprehensive Income	1 July 2012
IFRS 9, Financial Instruments	1 January 2015
IFRS 10, Consolidated Financial Statements	1 January 2013
IFRS 11, Joint Arrangements	1 January 2013
IFRS 12, Disclosure of Interests in Other Entities	1 January 2013
IFRS 13, Fair Value Measurement	1 January 2013
Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date of IFRS 9 and Transition Disclosures	1 January 2015

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1 **ACCOUNTING POLICIES (continued))**

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

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2012 (continued))

Amendments to IFRS 10, IFRS 11 and IFRS 12 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
IAS 19, Employee Benefits (as revised in 2011)	1 January 2013
IAS 27, Separate Financial Statements (as revised in 2011)	1 January 2013
IAS 28, Investments in Associates and Joint Ventures (as revised in 2011)	1 January 2013
Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014
Annual Improvements to IFRSs 2009-2011 Cycle	1 January 2013

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section:

(a) items that will not be reclassified subsequently to profit or loss and

(b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The above amendments are generally effective for annual periods beginning on or after 1 July 2012. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 is not expected to result in any impact on the profit or loss, other comprehensive income and total comprehensive income.

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

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 value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that 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 presented 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 fair value through profit or loss was presented in profit or loss.

The directors anticipate that IFRS 9 will be adopted in the Corporation's financial statements for the annual period beginning 1 January 2015 and that the application of IFRS 9 may have a significant impact on amounts reported in respect of the Corporation's financial assets and financial liabilities (e.g the Corporation will classify financial assets as subsequently measured at either amortised cost or fair value). However, it is not practicable to provide a reasonable estimate of that effect until a detailed review is done.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011). Key requirements of these 5 Standards are described below.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1 ACCOUNTING POLICIES (continued))

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

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2012 (continued))

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation – Special Purpose Entities will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers will be withdrawn upon the effective date of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportional consolidation.

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.

In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time.

These five standards together with the amendments regarding the transition guidance are effective for annual periods beginning on or after 1 January 2013, with earlier application permitted provided all of these standards are applied at the same time. The group will apply these amendments prospectively.

The directors anticipate that the application of IFRS 10 and IFRS 11 will have no material impact to the Corporation's financial statements currently. However, the Corporation would have to apply this standard to any such arrangements entered in the course of its expansion strategy. The directors anticipate that the application of IFRS 12 would result in more extensive disclosures in the financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. 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 directors anticipate that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements, however, the Corporation is yet to assess IFRS 13's full impact and intends to adopt the standard no later than the accounting period beginning on or after 1 January 2013.

Amendments to IFRS 7 and IAS 32 Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1 ACCOUNTING POLICIES (continued))

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

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2012 (continued)

The amendments to IFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors anticipate that the application of these amendments to IAS 32 and IFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

IAS 19 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.

Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. The amendments to IAS 19 require retrospective application.

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 and that the application of the amendments will result in the following including their income tax effects:

a) full recognition of actuarial gains through other comprehensive income and decrease in the net pension deficit;
b) immediate recognition of past service costs in profit or loss and an increase in the net pension deficit and
c) reversal of the difference between the gain arising from the expected rate of return on pension plan assets and the discount rate through other comprehensive income.

Annual Improvements to IFRSs 2009 – 2011 Cycle issued in May 2012

The Annual Improvements to IFRSs 2009 – 2011 Cycle include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to IFRSs include:

- amendments to IAS 1 Presentation of Financial Statements;
- amendments to IAS 16 Property, Plant and Equipment; and
- amendments to IAS 32 Financial Instruments: Presentation

IAS 1 Presentation of Financial Statements

The amendments to IAS 1 clarify that an entity is required to present a statement of financial position as at the beginning of the preceding period (third statement of financial position) only when the retrospective application of an accounting policy, restatement or reclassification has a material effect on the information in the third statement of financial position and that the related notes are not required to accompany the third statement of financial position.

The amendments also clarify that additional comparative information is not necessary for periods beyond the minimum comparative financial statement requirements of IAS 1. However, if additional comparative information is provided, the information should be presented in accordance with IFRSs, including related note disclosure of comparative information for any additional statements included beyond the minimum comparative financial statement requirements. Presenting additional comparative information voluntarily would not trigger a requirement to provide a complete set of financial statements.

The directors anticipate that the amendments to IAS 1 will result in the Corporation's presenting a statement of financial position at the beginning of the preceding period (third statement of financial position) only when the restatement or reclassification has a material effect on the information in the financial statements.

IAS 16 Property, Plant and Equipment

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise.
The directors do not anticipate that the amendments to IAS 16 will have a significant effect on the Corporation's financial statements as the Corporation does not have spare parts, stand-by equipment and servicing equipment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1 ACCOUNTING POLICIES (continued))

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

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2012 (continued)

IAS 32 Financial Instruments: Presentation

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes.

The directors anticipate that the amendments to IAS 32 will have no effect on the Corporation's financial statements as the Corporation has already adopted this treatment.

(ii) Early adoption of standards

The Corporation did not early-adopt any new or amended standards in 2012

(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 reassurance 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 reassurance business

Includes reassurance 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 reassurance 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 reassurance 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1 ACCOUNTING POLICIES (continued)
(c) Significant Accounting Policies (continued)
Reinsurance contracts (continued)

(ii) Recognition and measurement

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

a. Premium income

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

b. Claims incurred

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

c. 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 reassurance 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1 ACCOUNTING POLICIES (continued)
(c) Significant Accounting Policies (continued)
Reinsurance contracts (continued)

f. Receivable and payables related to reinsurance contracts

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

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

g. Premium and loss reserves

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

Other income recognition

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

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

(i) Current tax

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

(ii) Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in associates, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1 ACCOUNTING POLICIES (continued)

(c) Significant Accounting Policies (continued)

Taxation (continued)

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

(iii) Current and deferred tax for the year

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

Investment properties

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

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

Property and equipment

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1 ACCOUNTING POLICIES (continued)

(c) Significant Accounting Policies (continued)

Impairment

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

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

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

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

Non current assets held for sale

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

Leases

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

Corporation as a lessor

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

Corporation as a lessee

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

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

Inventories

Inventories comprise housing units for sale.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1 ACCOUNTING POLICIES (continued)

(c) Significant Accounting Policies (continued)

Fair value reserve

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

Translation reserve

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

Statutory reserve

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

Investment in associate

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

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

Financial instruments

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

Financial assets

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

Classification

Financial assets at fair value through profit or loss.

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

Loans and receivables

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1 ACCOUNTING POLICIES (continued)

(c) Significant Accounting Policies (continued)

Financial Assets (continued)

Classification (continued)

Held-to-maturity

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

Available-for-sale financial assets

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

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

Recognition

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

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

Derecognition

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

Financial liabilities

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

Employee entitlements

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

Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1 ACCOUNTING POLICIES (continued)
(c) Significant Accounting Policies (continued)

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.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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 Coporation 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 2012

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 2012 Shs '000	Short term business 2012 Shs '000	Total 2012 Shs '000	Total 2011 Shs '000
Financial assets				
Debt securities:				
Held to maturity:				
- Government securities	1,511,468	3,947,650	5,459,118	3,357,582
- Corporate bonds	-	153,970	153,970	48,393
Equity securities:				
- Available for sale (Quoted)	-	2,436,749	2,436,749	2,008,823
- Available for sale (Unquoted)	-	89,971	89,971	89,971
Receivables arising out of reinsurance arrangements	28,956	1,489,546	1,518,502	1,248,975
Premium and loss reserves	-	290,178	290,178	337,672
Mortgage loans	-	521,539	521,539	320,074
Cash and cash equivalents (note 41)	1,888,049	2,570,555	4,458,604	3,857,462
Other receivables	-	56,470	56,470	42,781
Total financial assets	**3,248,473**	**11,556,628**	**14,985,101**	**11,311,733**
Reinsurance liabilities				
Long term liabilities	2,073,032	-	2,073,032	2,285,709
Short term liabilities	-	3,049,991	3,049,991	2,373,622
Total short term liabilities	**2,073,032**	**3,049,991**	**5,123,023**	**4,659,331**

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 2012

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

Reinsurance risk (continued)

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

	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	5,459,118	-	476,579	708,263	4,274,276
- Corporate bonds	153,970	-	-	-	153,970
Equity securities:					
- Available for sale	2,436,749	2,436,749	-	-	-
Receivables arising out of reinsurance arrangement	1,518,502	1,518,502	-	-	-
Premium loss reserves	290,178	290,178	-	-	-
Mortgage loans	521,539	-	8,941	125,661	386,937
Cash and cash equivalents	4,458,604	-	4,458,604	-	-
Total	**14,838,660**	**4,245,429**	**4,944,124**	**833,924**	**4,815,183**
Reinsurance liabilities					
Long term liabilities	2,073,032	2,073,032	-	-	-
Short term liabilities	3,049,991	3,049,991	-	-	-
Total	**5,123,023**	**5,123,023**	**-**	**-**	**-**
Net gap	**9,715,637**	**(877,594)**	**4,944,124**	**833,924**	**4,815,183**

31 December 2011	Carrying amount	No stated maturity Shs'000	Contractual cash flows (undiscounted) 0-1 years Shs'000	1-5 years Shs'000	>5 yrs Shs'000
Financial assets	11,178,981	3,595,470	4,537,404	1,061,374	1,984,733
Reinsurance liabilities	4,659,331	4,659,331	-	-	-
Net gap	**6,519,650**	**(1,063,861)**	**4,537,404**	**1,061,374**	**1,984,733**

Financial risk

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

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

(a) Liquidity risk

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

3 FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)
Financial risk (continued)
(a) Liquidity risk (continued)

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 2012	**Due on demand Sh '000**	**Due after 1 year Sh '000**	**Total Sh '000**
Long term reinsurance contract liabilities	-	2,073,042	2,073,042
Short term insurance contract liabilities	3,049,991	-	3,049,991
Payables arising out of reinsurance arrangements	706,634	2,811	709,445
Total financial liabilities	**3,756,625**	**2,075,853**	**5,832,478**
31 December 2011			
Long term reinsurance contract liabilities	-	2,285,709	2,285,709
Short term insurance contract liabilities	2,373,622	-	2,373,622
Payables arising out of reinsurance arrangements	394,555	-	394,555
Total financial liabilities	**2,768,177**	**2,285,709**	**5,053,886**

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

3 FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)
Financial risk (continued)
(b) Market risk (continued)

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

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.

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

	2012 Sh'000	2011 Sh'000
Held to maturity instruments		
Government securities	5,459,118	3,357,582
Deposits with financial institutions	4,217,389	3,687,082
Corporate bonds	153,970	48,393
Loans and receivables at amortized cost		
Mortgage loans	521,539	320,074
Receivables arising out of reinsurance arrangements	1,518,502	1,248,975
Premium and loss reserves	290,178	337,672
Cash and bank balances	241,215	170,380
Other receivables	56,470	42,781
Total assets bearing credit risk	**12,458,381**	**9,212,939**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

3 FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)
Financial risk (continued)
(b) Market risk (continued)

Receivables arising out of reinsurance arrangements are summarized as follows:

	2012 Sh'000	2011 Sh'000
Neither past due nor impaired	321,012	108,373
Past due but not impaired:		
-up to 91 to 365 days	891,061	663,855
-up to 1 to 2 years	306,429	271,685
-up to 2 to 3 years	-	205,062
Impaired	1,271,687	945,641
	2,790,189	**2,194,616**
Less: provision for impairment	(1,271,687)	(945,641)
Total	**1,518,502**	**1,248,975**

4. CAPITAL MANAGEMENT

As at 31 December 2012, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

6 PREMIUMS INCOME

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

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

	Long term business Sh'000	Short term business Sh'000	Total 2012 Sh'000	Total 2011 Sh'000
Super annuation	786,687	-	786,687	764,731
Ordinary life	117,551	-	117,551	90,010
Motor	-	402,034	402,034	371,064
Fire	-	2,277,263	2,277,263	2,002,128
Theft	-	545,580	545,580	453,412
Personal accident	-	471,025	471,025	421,778
Engineering	-	659,082	659,082	536,060
Marine	-	491,465	491,465	419,300
Other	-	1,303,628	1,303,628	676,195
	904,238	**6,150,077**	**7,054,315**	**5,734,678**

7 INVESTMENT INCOME

	Long term business Sh'000	Short term business Sh'000	Total 2012 Sh'000	Total 2011 Sh'000
Rental income from investment properties	131,620	442,974	574,594	499,796
Interest on government securities held to maturity	217,354	302,831	520,185	339,947
Reclassification from equity of accumulated fair value gain on available for sale quoted equity instruments	-	314,209	314,209	237,162
Realised gain/(loss) on sale of available for sale quoted equity instruments	-	108,785	108,785	(28,288)
Dividends receivable on available for-sale quoted equity instruments	-	138,866	138,866	122,500
Interest on commercial mortgages	-	32,978	32,978	36,195
Interest on deposits with financial institutions – held to maturity	206,497	423,885	630,382	194,244
Interest on corporate bonds – held to maturity	-	11,567	11,567	5,838
Profit on sale of inventories	-	-	-	3,164
Profit on sale of non current asset held for sale	-	310,271	310,271	-
Interest on staff mortgages and loans	-	9,585	9,585	9,344
Total investment income	**555,471**	**2,095,951**	**2,651,422**	**1,419,902**

8 OTHER INCOME

	Long term business Sh'000	Short term business Sh'000	Total 2012 Sh'000	Total 2011 Sh'000
Other income	-	42,688	42,688	71,229
Gain on disposal of property and equipment	-	-	-	864
Net foreign exchange gain	-	51,566	51,566	-
Total	**-**	**94,254**	**94,254**	**72,093**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

9 CLAIMS INCURRED

	Long term business 2012 Sh '000	Short term business 2012 Sh '000	Total 2012 Sh '000	Total 2011 Sh '000
Claims paid	464,945	3,292,939	3,757,884	2,975,651
Changes in the provision				
for outstanding claims	-	676,369	676,369	153,024
(Decrease)/increase in actuarial liability	(212,677)	-	(212,677)	135,069
Gross claims incurred	252,268	3,969,308	4,221,576	3,263,744
Less: Amounts recoverable				
from retrocessonaires	-	(159,999)	(159,999)	(323,889)
Net claims incurred	**252,268**	**3,809,309**	**4,061,577**	**2,939,855**

10 OPERATING AND OTHER EXPENSES

Staff costs (note 11)	43,530	291,482	335,012	286,820
Depreciation (note 16)	-	18,901	18,901	17,868
Amortisation (note 17)	-	7,868	7,868	8,814
Auditors' remuneration	949	5,490	6,439	5,578
Directors' - emoluments	1,912	12,798	14,710	10,043
- fees 382	2,558	2,940	3,240	
Mortgages provisions	-	10,951	10,951	20,362
Annual General Meeting expenses	2,968	19,864	22,832	15,849
Fines and penalties	-	133,251	133,251	-
Investment property direct operating expenses	22,892	191,944	214,836	181,523
Net foreign exchange loss	-	-	-	23,758
Travel and accommodation	5,436	36,381	41,817	33,562
Advertisement	2,120	14,190	16,310	16,357
Professional and consultancy fees	8,130	54,410	62,540	26,888
Other expenses	24,516	171,218	195,734	122,389
	112,835	**971,306**	**1,084,141**	**773,051**

11 STAFF COSTS

Salaries and wages	20,701	138,537	159,238	136,851
Retirement benefit costs (note 38)	4,674	14,556	19,230	22,972
Medical expenses	2,352	15,738	18,090	9,120
Leave allowance	2,241	14,994	17,235	13,487
National social security benefit costs	29	195	224	169
Gratuity accrual	-	-	-	1,756
Bonus	990	6,625	7,615	6,415
Staff welfare expenses	887	6,092	6,979	5,885
Training and recruitment	1,224	8,192	9,416	7,867
Leave pay provision	708	4,743	5,451	2,614
Other emoluments	9,724	81,810	91,534	79,684
	43,530	**291,482**	**335,012**	**286,820**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

12 TAXATION CHARGE

(a) Taxation charge

	2012 Sh '000	2011 Sh '000
Current tax at 30% (2011: 20%) on the taxable profit for the year	429,367	239,208
Deferred taxation credit (Note 19)		
- Current year	(286,033)	(117,253)
- Prior year (under)/over provision	(591)	238
	(286,624)	**(117,015)**
	142,743	**122,193**

(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:

	2012 Sh '000	2011 Sh '000
Short term business profit before taxation	1,972,584	1,578,662
Long term business profit before taxation	972,051	458,115
Profit before taxation	**2,944,635**	**2,036,777**
Tax applicable rate of 30% (2011: 20%)	883,391	407,355
Tax effects of non taxable income	(653,758)	(314,344)
Tax effect of non-deductible expenses	81,739	28,944
Effect on deferred tax due to change in tax rate from 20% to 30%	(168,038)	-
Prior year (over)/under provision	(591)	238
	142,743	**122,193**
Attributable to:		
Long term business	26,527	17,723
Short term business	116,216	104,470
	142,743	**122,193**

(c) Taxation payable/(recoverable)

	2012	2011
At 1 January	(15,795)	52,844
Charge for the year	429,367	239,208
Paid in the year	(248,911)	(307,847)
At 31 December	**164,661**	**(15,795)**
Attributable to:		
Long term business	-	-
Short term business	164,661	(15,795)
	164,661	**(15,795)**

The tax rate used for 2012 is the corporate tax rate of 30% payable by corporate entities in Kenya on taxable profits under the Kenyan Income Tax Act. The tax rate used for 2011 is the corporate tax rate of 20%, which was a concession rate allowed for the Corporation for the first 5 years following its Initial Public Offer in 2007.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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.

	2012	2011
Profit attributable to shareholders (Sh'000)	2,801,892	1,914,584
Weighted average number of ordinary shares in issue	699,949	699,949
Basic and diluted earnings per share (Sh)	4	2.74

There were no potentially dilutive shares outstanding at 31 December 2012 and 2011. The diluted earnings per share is therefore the same as the basic earnings per share.

During the year, the Corporation issued bonus shares in the ratio of one bonus share for every six shares held (2011: Nil). Because the bonus issue was without consideration, it is treated as if it had occurred at the beginning of 2011, the earliest period presented.

14 DIVIDENDS

The directors propose the payment of a first and final dividend of Ksh 0.40 (2011 – Sh 0.35) per share totalling to Ksh 280 Million in respect of the year ended 31 December 2012 (2011 – Sh 210 Million). The proposed dividends are subject to approval by shareholders at the Annual General Meeting and therefore the cash dividend has not been included as a liability in these financial statements.

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

The movement in the dividend payable account is as follows:

	2012 Sh '000	2011 Sh '000
At 1 January	-	-
Dividend declared	210,000	210,000
Dividends paid	(210,000)	(210,000)
At 31 December	-	-
Proposed cash dividend per share (Sh)	0.40	0.35

15 INVESTMENT PROPERTIES

	Long term business 2012 Sh '000	Short term business 2012 Sh '000	Total 2012 Sh '000	Total 2011 Sh '000
At fair value				
At 1 January	960,000	4,405,000	5,365,000	4,616,500
Additions	9,229	37,763	46,992	64,002
Fair value gain	80,771	442,237	523,008	684,498
At 31 December	**1,050,000**	**4,885,000**	**5,935,000**	**5,365,000**

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

(ii) The valuation of investment properties was last carried out by Chapter Property Consultants Limited, professional independent valuers as at 31 December 2012. The basis of valuation was open market value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

16 PROPERTY AND EQUIPMENT

	Motor vehicles Sh'000	Computers Sh'000	Furniture & equipment Sh'000	Total Sh'000
Cost or valuation				
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**
At 1 January 2012	8,017	26,481	73,391	107,889
Additions	-	3,495	8,721	12,216
At 31 December 2012	**8,017**	**29,976**	**82,112**	**120,105**
Comprising				
Cost	6,217	6,666	74,321	87,204
Valuation - 2008	1,800	-	-	1,800
Valuation – 2012	-	23,310	7,791	31,101
	8,017	**29,976**	**82,112**	**120,105**
Depreciation				
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**
At 1 January 2012	3,346	6,161	11,186	20,693
Charge for the year	1,951	6,984	9,966	18,901
At 31 December 2012	**5,297**	**13,145**	**21,152**	**39,594**
Net book value				
At 31 December 2012	2,720	16,831	60,960	80,511
At 31 December 2011	4,671	20,320	62,205	87,196
Net book value at cost				
At 31 December 2012	2,721	1,526	55,021	59,268
At 31 December 2011	4,334	2,812	59,940	67,086

Computers, furniture and equipment were last valued on 31 March 2012 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 2012

17 INTANGIBLE ASSETS

	2012 Sh '000	2011 Sh '000
Cost		
At 1 January and 31 December	**48,908**	**48,908**
Amortisation		
At 1 January	38,436	29,622
Charge for the year	7,868	8,814
At 31 December	**46,304**	**38,436**
Net book value		
At 31 December	**2,604**	**10,472**

Intangible assets relate to purchased computer software and licenses.

18 INVESTMENT IN ASSOCIATE

At 1 January	1,133,445	952,730
Share of profit for the year	205,934	187,777
Less dividends received	(31,080)	(33,759)
	1,308,299	**1,106,748**
Share of revaluation reserve	2,180	828
Share of fair value reserve	13,812	(21,543)
Effect of change in shareholding	-	-
Understatement of net assets in prior year	-	-
Currency translation adjustment	15,757	47,412
	31,749	**26,697**
At 31 December	**1,340,048**	**1,133,445**

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:

	2012 Sh	2011 Sh
Closing rate	86.03	85.07
Average rate	84.52	88.87
Ownership	20.73%	21.03%

During 2012 there was a dilution of the Corporation's equity interest ownership percentage in the associate due to capitalisation of dividends paid in the year, in which the Corporation did not participate. In addition, the associate sold equity interests to new investors.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

	2012 Sh '000	2011 Sh '000
Total assets	13,256,007	10,999,972
Total liabilities	(6,479,118)	(5,417,352)
Net assets	**6,776,889**	**5,582,620**
Corporation's share of net assets of associate	1,340,048	1,133,445
Profit before taxation	**987,370**	**688,268**
Share of profit for the year	205,934	187,777
Less: dividends received	(31,080)	(33,759)
Corporation's share of associate's profit	**174,854**	**154,018**

During the year, a dividend of Sh 31,080,449 (2011 – Sh 33,758,900) 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 30%(2011: 20%).

	2012 Sh '000	2011 Sh '000
The net deferred taxation asset is attributable to the following items:		
Deferred tax assets:		
Excess depreciation over capital allowances	14,565	9,450
Leave pay provision	5,777	2,402
Defined benefit liability	28,857	23,712
Unrealised exchange loss	1,571	4,751
Staff gratuity provision	-	1,506
Bad debts provisions	586,463	295,401
	637,233	**337,222**
Deferred tax liabilities:		
Revaluation surplus – property and equipment	(5,249)	(6,671)
Unrealised exchange gain	(17,275)	-
Net deferred taxation asset	**614,709**	**330,551**
The movement on the deferred taxation account during the year was as follows:		
At 1 January	**330,551**	**214,368**
Credit for the year (note 12)	286,033	117,253
Prior year (under)/over provision	591	(238)
	286,624	**117,015**
Deferred tax on revaluation charged to equity	-	(832)
Effect of change in tax rate from 20% to 30% on deferred tax on revaluation surplus	(2,466)	-
At 31 December	**614,709**	**330,551**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

20 DEFERRED ACQUISITION COSTS

	2012 Sh '000	2011 Sh '000
At 1 January	626,597	498,938
Movement in the year	134,561	127,659
At 31 December	**761,158**	**626,597**

21 UNQUOTED EQUITY INSTRUMENTS –AVAILABLE FOR SALE

At cost		
At 1 January	89,971	66,287
Purchases	-	23,684
At 31 December	**89,971**	**89,971**
The investment in unquoted equity instruments is analysed as follows:		
International Development Bank (12% shareholding)	54,480	54,480
Africa Reinsurance Limited (0.2% shareholding)	35,491	35,491
Gross investment	**89,971**	**89,971**

22 INVENTORIES

At 1 January	28,794	37,957
Disposals	-	(9,163)
At 31 December	**28,794**	**28,794**

Inventories comprise housing units for sale.

23 NON CURRENT ASSETS HELD FOR SALE

At 1 January	536,858	536,858
Disposal	(146,826)	-
Provision for assets held for sale	(350,000)	(350,000)
At 31 December	**40,032**	**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 office blocks and land which the Corporation intends to sell within the next 12 months. The Corporation continues to actively market the remaining non current assets held for sale.

24 MORTGAGE LOANS

Commercial mortgages	425,111	234,557
Staff mortgages	194,103	172,241
	619,214	**406,798**
Less: impairment provision	(97,675)	(86,724)
	521,539	**320,074**
Maturity analysis		
Within 1 year	8,941	11,918
Within 1 to 5 years	125,661	166,537
Over 5 years	386,937	141,619
	521,539	**320,074**

The weighted average effective interest rate on the mortgages was 10 % (2011 – 10.83%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

25 RECEIVABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

	Long term business 2012 Sh '000	Short term business 2012 Sh '000	Total 2012 Sh '000	Total 2011 Sh '000
Local companies	32,934	723,318	756,252	616,438
International companies	-	2,033,937	2,033,937	1,578,178
	32,934	**2,757,255**	**2,790,189**	**2,194,616**
Less: impairment provision	(3,978)	(1,267,709)	(1,271,687)	(945,641)
	28,956	**1,489,546**	**1,518,502**	**1,248,975**

26 PREMIUM AND LOSS RESERVES

International companies	718,152	640,209
Local companies	161,520	146,084
Provision for impaired balances	(589,494)	(448,621)
	290,178	**337,672**

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.

27 OTHER RECEIVABLES

Staff advances	28,607	30,716
Prepayments	1,646	1,787
Rental receivables	-	271
Dividends recievable	4,186	-
Due from the investment custodian	15,423	9,532
Other receivables	6,608	475
	56,470	**42,781**

28 CORPORATE BONDS

Held to maturity

Kenya Electricity Generating Company Limited	48,328	48,393
Consolidated Bank of Kenya Limited	105,642	-
	153,970	**48,393**

The effective interest rate on the corporate bond at 31 December 2012 was 5.8% (2011 – 12.5%) The corporate bond matures on 9 November 2019.

29 QUOTED EQUITY INSTRUMENTS – AVAILABLE FOR SALE

At fair value		
At 1 January	2,008,823	2,567,509
Fair value gain/(loss)	779,704	(544,462)
Purchases during the year	75,272	272,615
Disposals during the year	(427,050)	(286,839)
At 31 December	**2,436,749**	**2,008,823**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

30 GOVERNMENT SECURITIES

	Long term business 2012 Sh '000	Short term business 2012 Sh '000	Total 2012 Sh '000	Total 2011 Sh '000
Held to maturity				
Maturing:				
-Within 3 months	50,758	130,522	181,280	33,369
- Within 4 to 12 months	85,759	220,523	306,282	634,655
- Within 1 to 5 years	142,767	367,114	509,881	910,935
- Over 5 years	1,232,184	3,229,491	4,461,675	1,778,624
At 31 December	**1,511,468**	**3,947,650**	**5,459,118**	**3,357,582**

Treasury bonds amounting to Sh 200,000,000 (2011 – Sh 710,338,000) are held under lien by the Commissioner of Insurance as required by the Kenyan Insurance Act. The weighted average effective interest rate on the government securities was 11.8 % (2011 – 10.78%).

31 DEPOSITS WITH FINANCIAL INSTITUTIONS

	Long term business 2012 Sh '000	Short term business 2012 Sh '000	Total 2012 Sh '000	Total 2011 Sh '000
Held to maturity				
Deposits maturing within 3 months	1,820,218	2,397,171	4,217,389	3,687,082

The weighted average effective interest rate on deposits with financial institutions was 16 % (2011 – 8.09%).

32 SHARE CAPITAL

	2012 Sh '000	2011 Sh '000
(i) Authorised: share capital		
800,000,000 ordinary shares of Sh 2.50 each	2,000,000	2,000,000

	Number of Shares Sh '000	Share capital 2012 Sh '000	2011
(ii) Issued and fully paid			
At 1 January 2011 and 2012	600,000,000	1,500,000	1,500,000
Issue of Bonus Shares in 2012	99,949,068	249,873	-
At 31 December	**699,949,068**	**1,749,873**	**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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

33 RESERVES (continued)

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 4,074,929,259 (2011: Sh 3,551,921,450) whose distribution is subject to restrictions imposed by legislation.

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 2012 and according to the valuation, the fund had a surplus of Sh 2,403 million (2011 – Sh 1,457 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 2012 is summarised as follows:

	2012 Sh '000	2011 Sh '000
Life fund	4,475,662	3,742,815
Less: actuarial value of policy holder liabilities	(2,073,032)	(2,285,709)
Statutory reserve	**2,402,630**	**1,457,106**

Valuation assumptions
The significant valuation assumptions for the actuarial valuation as at 31 December 2012 are summarised below. The same assumptions were used in 2011.

(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 2012 was 11.9% per annum (2011 – 8.7% per annum).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

35. SHORT TERM INSURANCE CONTRACT LIABILITIES

	2012 Sh '000	2011 Sh '000
Short term insurance contract liabilities	**3,049,991**	**2,373,622**

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

Claims Development Accident year	2008 Shs'000	2009 Shs'000	2010 Shs'000	2011 Shs'000	2012 Shs'000	Total Shs'000
Estimate of ultimate claims costs:						
At end of accident year	5,771,843	1,256,930	1,819,592	2,326,202	3,302,135	14,476,702
One year later	614,539	156,058	265,170	552,932	-	1,588,699
Two years later	252,313	43,670	214,949	-	-	510,932
Three years later	295,222	134,808	-	-	-	430,030
Four years later	369,870	-	-	-	-	369,870
Current estimate of cumulative claims	7,303,787	1,591,466	2,299,711	2,879,134	3,302,135	17,376,233
Less: cumulative payments to date	(7,196,220)	(1,456,657)	(2,084,762)	(2,326,203)	(1,262,400)	(14,326,242)
Total claims reported and claims handling expenses	**107,567**	**134,809**	**214,949**	**552,931**	**2,039,735**	**3,049,991**
Total gross claims liability included in the statement of financial position						**3,049,991**

36 UNEARNED PREMIUMS

	2012 Sh '000	2011 Sh '000
At 1 January	2,156,709	1,643,433
Increase in the year	505,535	513,276
At 31 December	**2,662,244**	**2,156,709**

37 PAYABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

	Long term business 2012 Sh '000	Short term business 2012 Sh '000	Total 2012 Sh '000	Total 2011 Sh '000
Local companies	2,811	161,669	164,480	183,670
International companies	-	544,965	544,965	210,885
	2,811	**706,634**	**709,445**	**394,555**

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 2010 and was converted to a defined contribution scheme with effect from 1 October 2010.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

38 RETIREMENT BENEFIT OBLIGATION (continued)

a) Defined Benefit Scheme (continued)

	2012 Sh '000	2011 Sh '000
The actuarial valuation results were as follows:		
Present value of funded obligations	441,693	418,741
Fair value of scheme assets	(404,479)	(328,380)
Net underfunding in funded plan	37,214	90,361
Unrecognised actuarial gain	58,976	28,199
Net liability in the statement of financial position	**96,190**	**118,560**
Movement in present value of funded obligation		
As at 1 January	418,741	523,976
Current service costs	12,340	7,454
Interest cost	39,684	50,937
Actuarial loss/(gain)	14,730	(126,951)
Benefits payment	(43,802)	(36,675)
At 31 December	**441,693**	**418,741**
Movement in fair value of assets		
As at 1 January	328,380	351,725
Expected return on assets	32,794	35,419
Actuarial (loss)/gain	45,507	(63,689)
Employer contributions	41,600	41,600
Benefit payments	(43,802)	(36,675)
At 31 December	**404,479**	**328,380**
Movement in net liability		
As at 1 January	118,560	137,751
Net expense recognised in profit or loss	19,230	22,972
Employer contributions	(41,600)	(42,163)
At 31 December	**96,190**	**118,560**
Amount recognised in profit or loss:		
Current service cost net of employees' contributions	12,340	7,454
Interest on obligation	39,684	50,937
Expected return on plan assets	(32,794)	(35,419)
Total included in “staff costs” in respect of scheme	19,230	22,972
Actual return on plan assets	**76,015**	**(28,270)**

	2012	2011
Actuarial assumptions		
Discount rate (% p.a.)	13.01%	13.5%
Expected return on Scheme assets (% p.a.)	10%	10%
Future salary increases (% p.a.)	5%	5%
Future pension increases (% p.a.)	3%	3%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

38 RETIREMENT BENEFIT OBLIGATION (continued)

a) Defined Benefit Scheme (continued)

Historical information	**2012 Sh '000**	**2011 Sh '000**	**2010 Sh '000**	**2009 Sh '000**
Fair value of plan assets	404,479	328,380	351,725	287,925
Present value of funded obligations	(441,693)	(418,741)	(523,976)	(346,696)
Net (under)/over funding in the scheme	(37,214)	(90,361)	(172,251)	(58,771)
Unrecognised actuarial (gain)/loss	(58,976)	(28,199)	34,500	25,053
Defined benefit liability	**(96,190)**	**(118,560)**	**(137,751)**	**(33,718)**

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 2012, the Corporation contributed Sh 16,724,527 (2011 – Sh 15,450,339) to the defined contribution pension scheme and Sh 224,000 (2011 – Sh 169,000) for NSSF which has been charged to the profit or loss.

39 OTHER PAYABLES

	2012 Sh '000	**2011 Sh '000**
Purchasers deposits	19,753	61,686
Legal fees deposits	17,929	14,973
Rental deposits	63,073	53,906
Accrued leave pay	19,256	13,805
Taxation arrears	117,687	-
Other creditors and accruals	181,541	96,431
	419,239	**240,801**

40 NOTES TO THE STATEMENT OF CASH FLOWS

Profit before taxation	**2,944,635**	**2,036,777**
Adjustment for:		
Depreciation	18,901	17,868
Interest on corporate bonds	(5,925)	(5,838)
Gain on disposal of equipment	-	(864)
Interest on government securities	(520,185)	(339,947)
Amortisation of software	7,868	8,814
Reclassification from equity of accumulated fair value gain on available-for-sale equity instruments	(314,209)	(237,162)
Gain/(loss) on disposal of available-for-sale quoted equity instruments	(108,785)	28,288
Profit on sale of inventories	-	(3,164)
Profit on sale of non current asset held for sale	(310,271)	-
Fair value gain on investment properties	(523,008)	(684,498)
Share of profit of associate	(205,934)	(187,777)
Operating profit before working capital changes	**983,087**	**632,497**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

40 NOTES TO THE STATEMENT OF CASH FLOWS (continued)

	2012 Sh '000	2011 Sh '000
Working capital changes:		
Mortgage loans	(201,465)	42,542
Receivables arising out of reinsurance arrangements	(269,527)	(20,741)
Premium and loss reserves	47,494	170,373
Other receivables	(13,689)	82,433
Deferred acquisition costs	(134,561)	(127,659)
Long term reinsurance contract liabilities	(212,677)	135,069
Short term reinsurance contract liabilities	676,369	161,371
Unearned premiums	505,535	513,276
Payables arising out of reinsurance arrangements	314,890	106,458
Defined benefit liability	(22,370)	(19,191)
Other payables	178,438	58,390
Purchase of government securities	(2,958,516)	(1,238,171)
Proceeds on maturity of government securities	537,200	729,842
Purchase of quoted equity instruments (note 29)	(75,272)	(272,615)
Proceeds on sale of quoted equity instruments	535,835	258,551
Purchase of unquoted equity instruments	-	(23,684)
Proceeds of disposal of inventories	-	12,327
Proceeds on disposal of non current asset held for sale	411,300	-
Purchase of corporate bond	(100,000)	-
Net cash generated from operations	**562,071**	**1,201,068**

41 CASH AND CASH EQUIVALENTS

Deposits with financial institutions maturing within 3 months	4,217,389	3,687,082
Cash and bank balances	241,215	170,380
	4,458,604	**3,857,462**

42 RELATED PARTIES

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

	2012 Sh '000	2011 Sh '000
a) Transactions and balances with directors and staff		
(i) Directors' remuneration		
Fees	2,940	3,240
Other emoluments	14,710	10,043
	17,650	**13,283**
(ii) Key management remuneration		
Salaries and other short term benefits	48,979	33,537
(iii) Loans to staff	222,772	200,249

Interest income on these loans was Sh 9,585,354 (2011 – Sh 10,012,450). The effective interest on the loans is 5 % (2011 – 5.3 %). Staff mortgages and car loans are secured by way of charging the related property to the Corporation.

(iv) Loans to directors		
Included in other receivables (note 27)	3,774	7,186

Interest earned on these loans was Sh 301,758 (2011 – Sh 380,292). The effective interest rate on the loans is 5% (2011 - 5%). Loans to directors are secured by mortgages on the property purchased.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

42 RELATED PARTIES (continued)

	2012 Sh '000	2011 Sh '000
b) Transaction with related company, ZEP Re		
(i) Net premium written	33,476	115,309
(ii) Claims incurred	28,031	35,106

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:

	2012 Sh '000	2011 Sh '000
Amounts due from related parties	72,629	6,827
Amounts due to related parties	53,439	18,735

43 CONTINGENT LIABILITIES

a) The entity is undergoing taxation review by the Kenya Revenue Authority (KRA). The following are the assessed tax amounts due, based on the preliminary report from the KRA The management has engaged a consultant, and is with direct discussion with KRA to determine the liability.

	Principal Sh '000	Interest Sh '000	Penalty Sh '000	Total Sh '000	2011 Sh '000
VAT	551,754	248,651	-	800,405	-
Withholding Tax	620,141	212,619	62,014	894,774	-
PAYE	3,758	2,316	940	7,014	-
	1,175,653	**463,586**	**62,954**	**1,702,193**	**-**

Out of the total assessment of Ksh 1.7 Billion, management have made provisions in the financial statements of an amount of Ksh 57 Million. The remaining amount of Ksh 1.643 Billion is the subject of ongoing discussions with the KRA to establish KRA's basis for the assessment. Management expect to lodge an objection to the remainder of the assessment and are of the opinion that this will not be payable and as a result, no provision has been made in these financial statements.

b) During the year, the Corporation received an additional tax assessment from KRA of Ksh 182 Million relating to provision for impairment of investment property in dispute of Sh 200million made in the Corporation's books in prior years that was treated as a specific provision for tax purposes instead of a general provision.

Management have made provisions for the principal tax payable of Sh 60million in the financial statements. Management expect to lodge an objection to the remainder of the assessment, consisting of penalties and interest and are of the opinion that this will not be payable and as a result, no provision has been made in these financial statements.

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 2012

	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	2011 Shs '000
Gross premium	12,023	392,144	4,018	2,549,858	528,176	580,547	393,023	83,495	696,504	1,012	519,975	6,749	1,124,076	6,891,600	5,631,074
Unearned premiums b/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
Unearned premiums c/f	4,809	156,858	1,607	946,130	211,270	232,219	143,865	33,398	277,362	405	201,992	2,699	449,630	2,662,244	2,156,711
Movement in unearned premium	(778)	(1,355)	(852)	(91,227)	(57,150)	(34,967)	(8,877)	(2,196)	(34,322)	66	(13,515)	615	(260,975)	(505,533)	(513,276)
Earned premiums	**11,245**	**390,789**	**3,166**	**2,458,631**	**471,026**	**545,580**	**384,146**	**81,299**	**662,182**	**1,078**	**506,460**	**7,364**	**863,101**	**6,386,067**	**5,117,798**
Less: Retrocession premiums	0	0	0	184,533	0	0	33,363	0	3,100	0	14,994	0	0	235,990	237,861
Net earned premiums	**11,245**	**390,789**	**3,166**	**2,274,098**	**471,026**	**545,580**	**350,783**	**81,299**	**659,082**	**1,078**	**491,466**	**7,364**	**863,101**	**6,150,077**	**4,879,937**
Claims paid 12,006	267,229	384	960,356	386,062	421,455	197,081	21,150	105,053	418	230,774	22,262	668,709	3,292,939	2,598,857	
Claims recoverable	0	0	0	(81,808)	0	0	(59,959)	0	0	0	(18,232)	0	0	(159,999)	(251,244)
Claims reserves															
- beg. of year	(18,675)	(281,359)	(1,263)	(861,299)	(219,679)	(226,376)	(182,721)	(29,174)	(162,582)	(17,064)	(236,874)	(8,235)	(128,321)	(2,373,622)	(2,212,251)
- end of year	9,408	336,112	654	1,209,092	287,939	215,374	145,488	36,977	178,204	2,807	237,869	6,914	383,153	3,049,991	2,373,622
Net claims incurred	**2,739**	**321,982**	**(225)**	**1,226,341**	**454,322**	**410,453**	**99,889**	**28,953**	**120,675**	**(13,839)**	**213,537**	**20,941**	**923,541**	**3,809,309**	**2,508,984**
Commissions	232	31,337	1,252	743,035	104,656	193,602	107,647	21,248	221,477	341	157,278	1	187,411	1,769,517	1,438,961
Commissions receivable	-	-	-	(75)	-	-	(177)	-	(930)	-	-	-	-	(1,182)	(127)
Provision for bad debts	815	26,568	272	172,758	35,785	39,333	26,629	5,657	47,189	69	35,229	457	76,158	466,919	646,558
Management expenses	1,127	36,762	377	239,042	49,515	54,425	36,845	7,827	65,295	95	48,746	633	105,379	646,068	478,703
Total expenses	**4,913**	**416,649**	**1,676**	**2,381,101**	**644,278**	**697,813**	**270,833**	**63,685**	**453,706**	**(13,334)**	**454,790**	**22,032**	**1,292,489**	**6,690,631**	**5,073,079**
Underwriting loss	**6,332**	**(25,860)**	**1,490**	**(107,003)**	**(173,252)**	**(152,233)**	**79,950**	**17,614**	**205,376**	**14,412**	**36,676**	**(14,668)**	**(429,388)**	**(540,554)**	**(193,142)**

This short term business revenue account was approved by the Board of Directors on 23rd April 2013 and was signed on its behalf by:

Principal Officer

Chairman

Director

LONG TERM BUSINESS REVENUE ACCOUNT (APPENDIX II)
FOR THE YEAR ENDED 31 DECEMBER 2012

	Ordinary Shs '000	Super Annuation Shs '000	2012 Shs '000	2011 Shs '000
Gross earned premiums	136,836	915,747	1,052,583	982,810
Less: Retrocession premiums	(19,285)	(129,060)	(148,345)	(128,069)
Net earned premium	**117,551**	**786,687**	**904,238**	**854,741**
Net claims incurred	13,948	450,997	464,945	295,802
Decrease in actuarial liability	34,813	(247,490)	(212,677)	135,069
Net commissions	20,333	182,993	203,326	263,872
Management expenses	14,669	98,166	112,835	89,908
	83,763	**484,666**	**568,429**	**784,651**
Underwriting surplus	33,788	302,021	335,809	70,090
Fair value gains	10,500	70,271	80,771	97,409
Investment income	72,211	483,260	555,471	290,616
Increase in life funds	**116,499**	**855,552**	**972,051**	**458,115**

The long term business revenue account was approved by the Board of Directors on 23rd April 2013 and was signed on its behalf by:

Principal Officer

Chairman

Director

NOTES

NOTES

PROXY FORM

Shareholder / Member No. ________________

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

I/WE ______________________________ of ______________________________

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

______________________________ of ______________________________

or failing him/her ______________________________ of ______________________________

as *my/our proxy to vote for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held at the **Moi International Sports Centre, Kasarani Gymnasium, off-Thika Superhighway, Nairobi, on Friday, 7th June 2013 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 7th June 2013

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 **Moi International Sports Centre, Kasarani Gymnasium, off-Thika Superhighway, Nairobi,** on Friday, 7th June 2013 at 11.00 a.m.

FOMU YA MWAKILISHI

Namba ya Mwenye hisa/ Mwanachama ____________

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

MIMI/SISI ______________________________ wa ______________________________

Nikiwa m/wanachama wa KENYA REINSURANCE CORPORATION LIMITED, hapa ni/tunamchagua

______________________________ wa ______________________________

au kwa kumkosesha ______________________________ wa ______________________________

kama mwakilishi wangu/wetu ili kunipigia/kutupigia kwa niaba yangu/yetu katika Mkutano Mkuu wa Mwaka wa Kampuni hii utakaofanyika katika uwanja wa Kimataifa wa Michezo wa **Moi International Sports Centre, Kasarani, ukumbu wa Gymnasium, mkabala na barabara ya Thika Superhighway, Nairobi, hapo Ijumaa tarehe 7 Juni 2013 saa tano adhuhuri** na baadae kukamilika kwa hafla hiyo.

Sahihi ______________________________

Ilitiwa sahihi ____________________ tarehe ____________________ 2013.

Fomu hii itumiwe kwa manufaa/dhidi ya azimio la kupiga kura. Kama si kwa maagizo mengineyo, mwakilishi atapiga kura jinsi anavyoona inafaa.

*Ondoa yale unayoona hayafai

Fahamu:

1. Anwani iwe iliyoonyeshwa kwenye sajili ya wanachama
2. Iwapo mwanachama ni Shirika, lazima fomu hii ya mwakilishi itiwe Nembo yake ya Kawaida au itiwe sahihi kwa niaba yake na mwanasheria au afisa wa Shirika aliyeidhinishwa.
3. Mtu aliyeteuliwa kama mwakilishi siyo lazima awe mwanachama wa Kampuni hii.
4. Ikiwa ni umiliki wa pamoja, sahihi ya mmoja wao yeyote itafaa lakini majina ya wamiliki hao wote lazima yaonyeshwe.

Barua ya Usajili ya Mwenyehisa kuhusu Mkutano huo Mkuu wa Mwaka hapo Juni 7, 2013

Tafadhali kamilisha fomu hii na ufahamu kuwa lazima ionyeshwe katika Mkutano Mkuu wa Mwaka na wewe binafsi au mwakilishi wako ili kunakili mahudhurio. Tafadhali fahamu kuwa ni wenyehisa waliosajiliwa pekee au wawakilishi wao waliofahamisha Kampuni hii katika muda usiopungua masaa arobaini na nane (48) kabla ya kufanyika kwa mkutano ndio watakaoruhusiwa katika mkutano.

Jina: ______________________________ Sahihi: ______________________________

Mkutano Mkuu wa Kila Mwaka wa Kenya Reinsurance Corporation Limited utafanyika katika Uwanja wa Kimataifa wa Michezo wa **Moi International Sports Centre, Kasarani, ukumbi wa Gymnasium, mkabala na barabara ya Thika Super-Highway, Nairobi,** hapo Ijumaa tarehe 7 Juni 2013 saa tano adhuhuri.

Niko Fiti

Ability beyond disability

A CSR campaign for Kenya Re

“Giving assistive Devices”

You can also assist by sending your donations to:

Kenya Re Corp – Niko Fiti A/c
KCB Moi Avenue Branch
Account Number: 1132291917
MPesa Account Number 505601

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

KENYA RE
STRENGTH & WISDOM BEYOND BORDERS

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