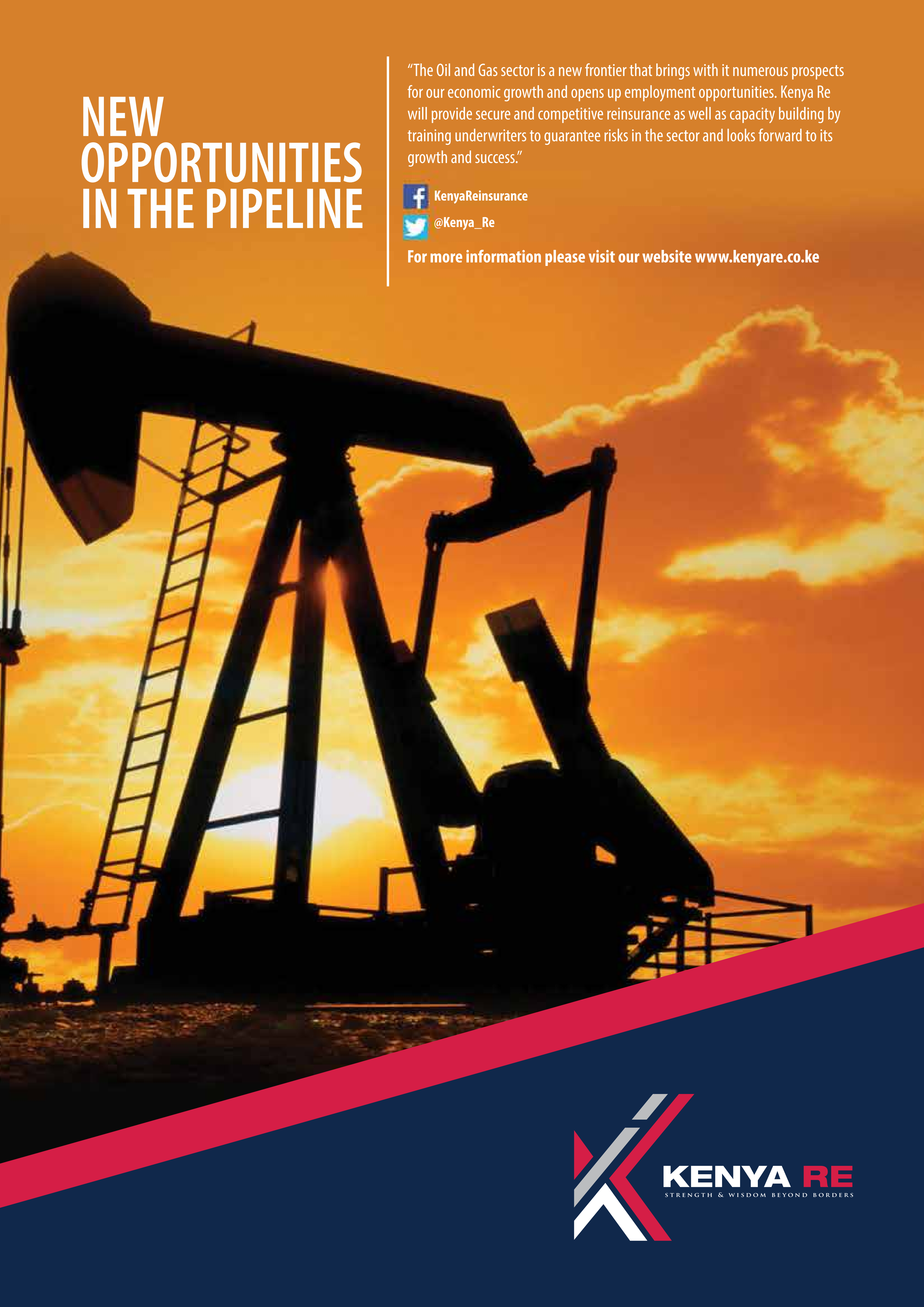
2013

ANNUAL REPORT & FINANCIAL STATEMENTS

Shaping insurance for a Brighter Future: the sky is just a beacon on the journey.

KENYA RE

STRENGTH & WISDOM BEYOND BORDERS


NEW OPPORTUNITIES IN THE PIPELINE
"The Oil and Gas sector is a new frontier that brings with it numerous prospects for our economic growth and opens up employment opportunities. Kenya Re will provide secure and competitive reinsurance as well as capacity building by training underwriters to guarantee risks in the sector and looks forward to its growth and success."
KenyaReinsurance
@Kenya_Re
For more information please visit our website www.kenyare.co.ke
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

KENYA RE

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Nelius Kariuki	Chairman
Jadiah Mwarania	Managing Director
Henry Rotich	Cabinet Secretary, National Treasury
Jacob Haji Ali	
Dr. Iruki Kailemia	
Everest Lenjo	
Gladys Mboya	
Felix Okatch	
Maina Mukoma	
Dr. Lumbi Wa M'Nabea	
Ms. Priscilla Kirigua	

SECRETARY

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

AUDITORS

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

REGISTERED OFFICE

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

CONSULTING ACTUARIES

Alexander Forbes Financial Services (East Africa) Limited
10th Floor, Landmark Plaza
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

Akide & Company Advocates
Ukulima Co-operative House, 11th Floor
Haile Selassie Avenue
P O Box 34004 – 00100
Nairobi, Kenya

Ameli Inyangu & Partners
KCS House, 2nd Floor
Mama Ngina Street
P O Box 11203 – 00100
Nairobi, Kenya

Coulson Harney Advocates
Unit A, Nairobi Business Park
Ngong Road
P O Box 10643 – 00100
Nairobi, Kenya

E N Omotii & Company Advocates
Reinsurance Plaza, 5th Floor
P O Box 3465 – 00200
Nairobi, Kenya

Igeria & Ngugi Advocates
Hughes Building, 8th Floor
P O Box 60635 – 00200
Nairobi, Kenya

K. Mwaura & Company Advocates
Ojijo Plaza, 2nd floor
P O Box 50515 – 00200
Nairobi, Kenya

Kiogora Mutai & Company Advocates
Consolidated Bank House, 2nd Floor
Koinange Street
P O Box 45790 – 00100
Nairobi, Kenya

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

CORPORATE INFORMATION

ADVOCATES

Macharia-Mwangi & Njeru Advocates
ACK Garden annex, 6th Floor
1st Ngong Avenue
P O Box 10627 – 00100
Nairobi, Kenya

Maina & Maina Advocates
View Park Towers, 14th Floor, Wing A
Utalii Lane/ Uhuru Highway
P O Box 2607 – 00200
Nairobi, Kenya

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

Muri Mwaniki & Wamiti
Advocates
Rehani House, 10th Floor
Koinange Street/Kenyatta Avenue
P O Box 13726 – 00100
Nairobi, Kenya

Muthaura Mugambi Ayugi & Njonjo
Advocates
Capitol Hill Square, 4th Floor
Off Chyulu Road
P O Box 8418 – 00200
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

Ogeto Otachi & Company Advocates
Ambassador Court, Block C, Door 6
Milimani Road
P O Box 79438 – 00200
Nairobi, Kenya

Ogola Okello & Company Advocates
The Green House, 1st Floor, Suite 14
Ngong Road
P O Box 62550 – 00200
Nairobi, Kenya

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

Rautta & Company Advocates
Reinsurance Plaza, 5th Floor
Taifa Road
P O Box 52036 – 00200
Nairobi, Kenya

Sisule Munyi Kilonzo & Company
Advocates
Reinsurance Plaza, 13th Floor
P O Box 1392 – 00600
Nairobi, Kenya

Waweru Gatonye & Company Advocates
Timau Plaza, 4th Floor
Argwings Kodhek/Timau Road
P O Box 55207 – 00200
Nairobi, Kenya

BANKERS

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

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

Bank of Africa Kenya Limited
Reinsurance Plaza, Taifa Road
P O Box 69562 - 00400
Nairobi, Kenya

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

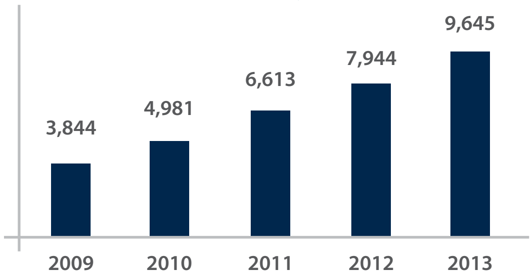
Commercial Bank of Africa Limited
Mara & Ragati Road
P.O Box 30437 - 00100
Nairobi, Kenya

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

Standard Chartered Bank Cote d'Ivoire
23, Boulevard de la Republique
17 BP 1141 Abidjan 17
Plateau, Cote d'Ivoire

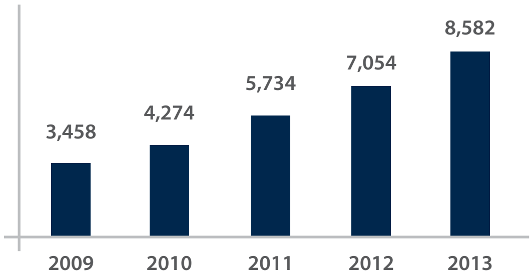
FIVE YEAR PERFORMANCE ANALYSIS

Gross Premiums Written
In Kshs 000,000

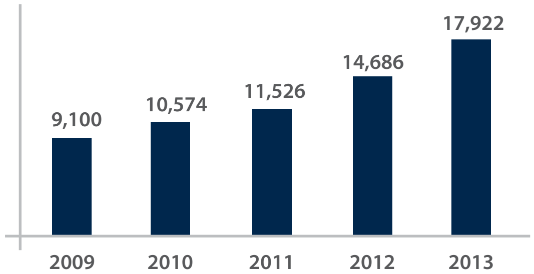


Total Assets
In Kshs 000,000

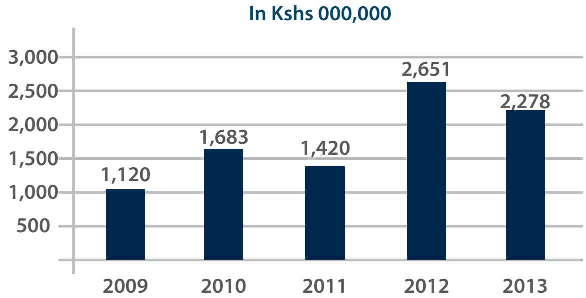
Net Premiums Written
In Kshs 000,000



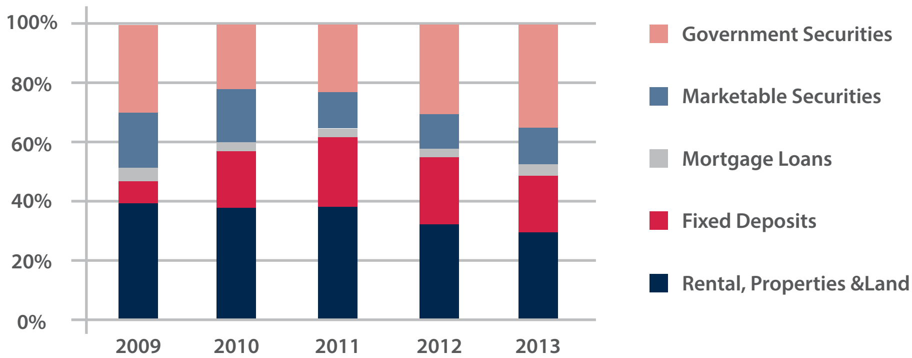
Shareholder's Funds
In Kshs 000,000



Investment Income
In Kshs 000,000



Management Expenses
In Kshs 000,000



NOTICE OF THE 2014 ANNUAL GENERAL MEETING

Notice is hereby given that the **16th ANNUAL GENERAL MEETING OF KENYA REINSURANCE CORPORATION LIMITED** will be held at the **Kasarani Stadium Gymnasium,** off Thika Super Highway, Nairobi, on **Friday, 13th June 2014** at 1**1.00 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 2013 together with the Chairman's, Directors' and Auditors' Reports thereon.

3. To approve payment of a first and final dividend of Kshs 0.60 per share, subject to withholding tax where applicable, for the financial year ended 31st December 2013 to the shareholders registered in our books as at 13th June 2014 on or about 18th July 2014, as recommended by the Board, and approve the closure of the Register of Members on 16th June 2013.

4. Election of Directors:
   a) In accordance with Article 110 of the Corporation's Articles of Association, Mr. Henry Rotich, Cabinet Secretary, National Treasury retires by rotation as a Director and, being eligible, offers himself for re-election.

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

   c) In accordance with Articles 110 of the Corporation's Articles of Association, Mr. Iruki Kailemia retires by rotation as a Director and, being eligible, offers himself for re-election.

5. To note the Directors' remuneration for the period ended 31st December 2013.

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.

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

By Order of the Board

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

25th April 2014

NOTES:

1. A member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company. To be valid, the form of proxy attached to this Annual Report or downloaded from the Corporation's website (www.kenyare.co.ke), must be duly completed and signed by the member and lodged at the registered offices of the Corporation's Share Registrars, M/s. Image Registrars Limited, Barclays Plaza, 5th Floor, Loita Street, and of P.O. Box 9287 – 00100 GPO, Nairobi or to be posted to the mail address, so as to reach M/s. Image Registrars Limited, not later than 11th June 2014 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 KUHUSU MKUTANO MKUU WA MWAKA

Tangazo linatolewa hapa kwamba MKUTANO MKUU WA MWAKA WA SHIRIKA LA KENYA REINSURANCE CORPORATION LIMITED utafanyika kwenye ukumbi wa Kasarani Stadium, mkabala na barabara ya Thika Super Highway jijini Nairobi, mnamo siku ya Ijumaa, tarehe 13 Juni 2014 kuanzia saa tano (5) asubuhi ambapo shughuli zifuatazo zitafanyika:

AGENDA

1. Maandalizi ya Mkutano – Kusoma ilani ya kuandaa Mkutano na kuamua kama hadhirina imetimia.

2. Kuzipokea, kuzizingatia na zikiidhinishwa, kuzikubali Taarifa za Fedha za Shirika za mwaka uliokamilika tarehe 31 Desemba 2013 zilizokaguliwa na kisha ripoti za Mwenyekiti, Mkurugenzi Mkuu na Wakaguzi kutolewa.

3. Kuidhinisha malipo ya mgao wa kwanza na mwisho wa Kshs 0.6 kwa kila hisa, kwa sharti la ushuru wa kushikilia kila panapofaa, katika mwaka wa kifedha uliokamilika tarehe 31 Desemba 2013, kwa wenyehisa waliosajiliwa katika vitabu vyetu kufikia tarehe 13 Juni 2014 siku ya au karibu na tarehe 18 Julai 2014, kama ilivyopendekezwa na Bodi, na kuidhinisha kufungwa kwa Sajili ya Wanachama tarehe 16 Juni 2013.

4. Uchaguzi wa Wakurugenzi Wakuu:
   a) Kulingana na Kifungu cha 110 cha Mkataba wa Ushirikiano wa Shirika hili, Bw. Henry Rotich, aliye Waziri katika Wizara ya Fedha anastaafu kwa zamu kama Mkurugenzi Mkuu na, kwa kuwa anastahili, anajitolea ili kuchaguliwa tena.
   b) Kulingana na Kifungu cha 110 cha Mkataba wa Ushirikiano wa Shirika hili, Bw. Jacob Haji, anastaafu kwa zamu kama Mkurugenzi Mkuu na, kwa kuwa anastahili, anajitolea ili kuchaguliwa tena.
   c) Kulingana na Kifungu cha 110 cha Mkataba wa Ushirikiano wa Shirika hili, Bw. Iruki Kailemia, anastaafu kwa zamu kama Mkurugenzi Mkuu na, kwa kuwa anastahili, anajitolea ili kuchaguliwa tena.

5. Kubaini mshahara wa Wakurugenzi katika kipindi kilichokamilikia tarehe 31 Desemba 2013.

6. Wakaguzi wa mahesabu ya fedha
   Kufahamu kuwa ukaguzi wa mabuku ya mahesabu ya pesa ya Shirika hili utaendelea kuendeshwa na Mwendeshaji Mkuu au Mkaguzi Mkuu au na shirika la ukaguzi wa mahesabu ya fedha lililoteuliwa naye kulingana na Sehemu ya 14 ya Sheria ya Taifa ya Mashirika pamoja na Sehemu ya 14 na 39 (i) ya Sheria ya Ukaguzi wa Mahesabu ya Pesa za Umma ya mwaka 2013.

7. Kuwaruhusu Wakurugenzi Wakuu kuamua malipo ya Wakaguzi.

8. Kuendesha shughuli nyingine yoyote ambayo ufahamisho wake bainifu umetolewa.

Kwa Amri ya Bodi

Charles N. Kariuki
Katibu wa Shirika
Kenya Reinsurance Corporation Limited
Reinsurance Plaza, 15th Floor, Taifa Road
P.O. Box 30271–00100
Nairobi

Tarehe 25 Aprili 2014

UFAFANUZI:

1. Mwanachama anayestahili kuhudhuria na kupiga kura katika mkutano huu na ambaye hawezi kuhudhuria anaruhusiwa kuteua mwakilishi ili kuhudhuria na kupiga kura kwa niaba yake. Sio lazima mwakilishi awe mwanachama wa Kampuni. Ili kukubalika, fomu ya mwakilishi iliyoambatishwa kwenye Ripoti hii ya Mwaka au kuopolewa kutoka kwenye wavuti (www.kenyare.co.ke), lazima ijazwe kikamilifu na kutiwa saini na mwanachama husika na kisha kuwasilishwa kwa afisi zilizosajiliwa za Makao ya Usajili wa Hisa, M/S. Image Registrars Limited, Barclays Plaza, Ghorofa ya 5, barabara ya Loita Street, na P.O Box 9287 -00100 GPO, Nairobi au itumwe kwenye anwani ya barua, ili kumfikia M/S. Image Registrars Limited, siku ya mwisho ikiwa tarehe 11 Juni 2014 saa tano (5) asubuhi.

2. Mwanachama yeyote anaweza kutoa tangazo la dhamira yake ya kuteuliwa kwa mtu mwengine yeyote kwenye Bodi, tangazo litakalokuwa limetiwa saini naye na kuwasilishwa kwa Katibu wa Shirika kupitia anwani iliyo hapo juu, katika muda usiopungua siku saba (7) na usiozidi siku ishirini na moja (21) kabla ya tarehe iliyoteuliwa ya kufanyika kwa Mkutano Mkuu, na tangazo hilo yafaa liandamane na notisi iliyotiwa saini na mtu aliyependekezwa kuteuliwa kwa hiari. Siyo lazima mtu huyo aliyependekezwa awe mwanachama wa Kampuni hii.

3. Nakala za Mwafaka na Mkataba wa Ushirikiano wa Shirika zinapatikana ili kukaguliwa kwenye wavuti ya Shirika (www.kenyare.co.ke) na pia katika Afisi Zilizosajiliwa za Kampuni – Ghorofa ya 15, jengo la Reinsurance Plaza, barabara ya Taifa Road, Nairobi.

BOARD OF DIRECTORS

Seated (Left to Right)

Jadiah M. Mwarania	Managing Director
Nelius Kariuki	Chairman
Priscilla M. Kirigua	Non-Executive Director
Dr. Lumbi Wa M'nabea	Non-Executive Director

Standing (Left to Right)

Dr. Iruki Kailemia	Non-Executive Director
Everest M. Lenjo	Non-Executive Director
Jacob Haji Ali	Non-Executive Director
Gladys M. Mboya	Non-Executive Director
Maina Mukoma	Non-Executive Director
Kennedy Ondieki	Representative, National Treasury
Felix O. Okatch	Non-Executive Director

Not in Picture

Henry K. Rotich	Cabinet Secretary, National Treasury & Non-Executive Director
Charles Kariuki	Ag Corporation Secretary

DIRECTORS' PROFILE

NELIUS KARIUKI - 63 - 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 - 49 - MANAGING DIRECTOR
Mr. Mwarania was appointed the Managing Director of the Corporation on 12th April 2011. He has over 20 years experience. 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 a Fellow of the Kenya Institute of Management (FKIM). He is also a member of the Board of Directors of Industrial Development Bank (IDB), an Alternate Director on the Board of Directors of Zep Re (PTA Reinsurance Company) and the Chairman Executive Committee (EXCO) of the Association of Kenya Reinsurers (AKR). He is a Board Member of the Insurance Training and Education Trust (ITET) Board and member of the Finance and Development Committee of the Board of the College of Insurance of Kenya. Mr. Mwarania is a holder of the Order of Grand Warrior Award (OGW).

DR. IRUKI KAILEMIA - 60 - 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.

HENRY K ROTICH - 45 - CABINET SECRETARY, NATIONAL TREASURY & NON-EXECUTIVE DIRECTOR
Mr. Henry K. Rotich is the Cabinet Secretary for National Treasury. Prior to his appointment, he was the Head of Macroeconomics at the Treasury, Ministry of Finance for 7 years. Prior to joining the Ministry of Finance, Mr. Rotich worked at the Central Bank of Kenya for 12 years. He was attached to the International Monetary Fund (IMF) local office in Nairobi as an economist between 2001 - 2004. He has been a Director of several Boards of State Corporations including; Insurance Regulatory Board, Industrial Development Bank, Communication Commission of Kenya and Kenya National Bureau of Statistics. Mr. Rotich holds a Master's Degree in Public Administration (MPA) from the Harvard Kennedy School, Harvard University. He also holds MA and BA degrees in Economics (University of Nairobi).

JACOB HAJI ALI - 57- 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 - 46 - 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 eighteen years experience in Commercial and Corporate practice. She is a Certified Public Secretary of Kenya, a Member of the Chartered Institute of Arbitrators and a Mentor with the Global Give Back Circle (GGBC). She holds a Masters degree in Business Administration (MBA) from the University of Warwick (UK), a Bachelor of Laws with Honours degree (LLB) from the University of Wales, 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.

DIRECTORS' PROFILE

EVEREST MATOLO LENJO - 62 - 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 - 60 - 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 - 40 - 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 - 46 - 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 - 58 - 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). He is an Insurance and Risk Management Consultant. He is also a trustee of Insurance Training and Education Trust (College of Insurance) and a Director of Global Securities Insurance Brokers Ltd (Tanzania).

CHARLES KARIUKI - 37 - Ag. CORPORATION SECRETARY
Mr. Charles Kariuki joined the Corporation on July 10, 2013 as the Manager-Legal. He held a similar position at the National AIDS Control Council and is an Advocate of the High Court of Kenya of over 10 years standing. He holds a Bachelor of Laws (LL.B) Degree from Moi University, a Diploma in law from the Kenya School of Law and is a registered Certified Public Secretary.

KENYA RE

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 2013.

Let me congratulate the Corporation for an exemplary performance during the period under review despite the engaging electioneering period and global economic turbulence.

BUSINESS ENVIRONMENT

The heightened security concerns due to acts of terrorism and spiraling crime levels are putting a dent on the country's investment credentials.
Lower tourist arrivals, constrained government spending, softer commodities prices and pressure on the currency made the economy concur and temper its growth expectations in 2013.

Notwithstanding, I am pleased to note that 2014 has started on a promising note. The stock market registered a positive performance. The rains so far are a blessing to our agriculture sector. Improved liquidity in the banking system supported a drop in bond yields. The Kenya shilling exhibited stability during the quarter. Credit to the SME sector should pick up, supporting consumers and lifting GDP growth.

The domestic economic growth outlook remains positive with better agricultural output and a stable macroeconomic environment. Lending to the SME sector through the UWEZO Fund will increase exports as well as household consumption expenditure – one of the main drivers of growth. We in the insurance industry stand to benefit from this positive outlook.

The approval of the Insurance (amendment) Bill 2013 which seeks to deepen the penetration of insurance allowing banks to operate as insurance agents is good news to the insurance sector.

INDUSTRY TRENDS

The insurance sector has witnessed tremendous growth overtime with many companies coming up with unconventional products and services to meet the needs of the vigorously dynamic market. The emergence of Takaful business, micro insurance and agricultural insurance and political risk has necessitated provision of reinsurance service to the industry. These and the recent discovery of oil in Northern Kenya and gas in Tanzania present an opportunity for us to grow our business. We have structured our strategy to ensure that we make sound investment decisions that have a positive impact for your business. We have geared our business to not only capture every presentable investment opportunity but also bring value to you.

FINANCIAL PERFORMANCE

Am pleased to note that we have delivered impressive results during this period under review; Gross premium written, the Net earned premiums and investment income have all shown an upward progression. I am delighted to note that this has seen our profit before tax grow by 11% from Kshs 2.9 billion to Kshs 3.2 billion. Our asset base grew from Kshs 23 billion to Kshs 28 billion, a 19% increase while the Corporation shareholders funds rose by 22% from Kshs 14.6 billion to Kshs 17.9 billion.

CHAIRMAN'S STATEMENT (CONTINUED)

STRATEGIC FOCUS

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

BUSINESS DEVELOPMENT

Kenya Re has on the other side continued to expand into regional markets in Africa and the Middle East. Presently, we have a business presence in over 45 countries and in over 160 insurance companies in Africa, Middle East and Asia. These companies are benefiting from our extensive services. Our office in West Africa remains on course in meeting its targets. We shall keenly keep focusing on new opportunities that can offer market diversification to cater for our diverse client needs.

CORPORATE SOCIAL RESPONSIBILITY

The Corporation has continued to build strong partnerships with its stakeholders and also with the wider society through a well-conceived CSR campaign to bolster the social and economic stature of the needy in the society. I would like to acknowledge the impact of the 2013 Niko Fiti campaign which saw the Corporation flag of 3 caravans that traversed across Kenya distributing assistive devices. Over 500 physically challenged citizens benefited from free wheelchairs, tricycles, prosthesis and walking canes among other assorted devices. We commit to benefit more deserving individuals this year as we support them to demonstrate that disability is not inability. We urge you to come on board and contribute to this worthy course.

DIVIDEND

Our commitment to grow shareholder value remains intact as evidenced by the strong full year performance. The after tax profit for the year stood at Kshs 3 billion. Based on this impressive performance, the board has recommended a first and final dividend of Kshs 60 cents.

APPRECIATION

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

I convey my appreciation to my colleagues on the Board for their invaluable contribution and dedication to take the Corporation to greater heights.

I express my thankfulness to the valued customers and investors for their sustained support to the company. I also assure you that 'Team Kenya Re' will measure up to your expectations and strive to perform even beyond.

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

THANK YOU AND MAY GOD BLESS YOU.

Nelius Kariuki
Chairman

RIPOTI YA MWENYEKITI

DIBAJI

Ninayo furaha kuu ninapowatolea kwa mara nyingine ripoti na taarifa za kifedha za shirika la bima la Kenya Reinsurance Corporation katika mwaka uliokamilika tarehe 31 Desemba 2013.

Ninalihongera shirika hili kwa kazi yake ya kipekee katika kipindi hiki kinachochanganuliwa licha ya kuwepo kwa uchaguzi mkuu pamoja na mvurugiko wa kiuchumi duniani.

MAZINGIRA YA BIASHARA

Kukithiri kwa ukosefu wa usalama kutokana na visa vya ugaidi na mkurupuko wa matukio ya kiuhalifu yanatia doa sifa nzuri ya uwekezaji kwenye nchi hii. Kupungua kwa ujio wa watalii, hali ya serikali kubana matumizi matumizi, mkurupuko wa bei ya bidhaa za kawaida na hali kadhalika kudhoofika kwa sarafu ya Kenya kulipelekea uchumi kuafiki mazingira na kudhoofisha matarajio ya ukuaji wa kiuchumi katika mwaka wa 2013.

Licha ya hayo yote, bado naona fahari kwamba mwaka 2014 umeanza kwa matumaini makubwa. Soko la hisa limepata matokeo bora. Mvua nayo imekuwa yenye kuneemesha sekta yetu ya kilimo hadi leo. Kuimarika kwa pesa katika sekta ya benki kumechangia kushuka kwa matokeo ya hati za dhamana. Shilingi ya Kenya ilionyesha kuimarika katika robo ya kwanza ya mwaka. Mikopo kwa sekta ya biashara ndogo ndogo na wastani (SME) inafaa ishike kasi, ili kuwasaidia wateja na kuinua mapato ya taifa kwa mwaka (GDP).

Taswira ya ukuaji wa uchumi kitaifa inatia moyo kutokana na mavuno mazuri ya kilimo na mazingira ya kuridhisha ya uchumi wa kimataifa. Ukopeshaji kwenye sekta ya biashara ndogo ndogo (SME) kupitia mfuko wa hazina ya uwezo, yaani (Uwezo Fund) utasaidia kuongeza mauzo ya mahuruji (biashara-nje) ya nchi pamoja na matumizi ya pesa katika kiwango cha kiunyumba – hii ikiwa mojawapo ya nguzo kuu ya kiustawi. Hali hii itatufaa na kutunufaisha pakubwa sisi wawekezaji kwenye sekta ya biashara ya bima.

Kuidhinishwa kwa mswada wa (marekebisho ya) bima ya mwaka 2013, mswada unaolenga kuimarisha ukuaji wa sekta ya bima ili kuwezesha benki kuhudumu kama mawakala wa bima, ni habari nzuri kwa sekta ya bima.

MIELEKEO YA SEKTA HII

Katika muda mfupi sasa, sekta ya bima imeshuhudia ukuaji mkubwa kwani kampuni nyingi na mpya za bima zimeanzishwa na kadhalika bidhaa na huduma zisizokuwa za kawaida kuzinduliwa ili kutimiza matakwa ya soko hili changamano. Kuanzishwa kwa biashara ya Takaful, bima ndogo ndogo, na bima ya kilimo na hata bima dhidi ya hatari za kisiasa umewezesha ubunaji wa huduma za bima-kuu katika biashara hii. Masuala haya pamoja na ugunduzi wa mafuta katika maeneo ya kaskazini mwa Kenya na gesi huko nchini Tanzania yanatuletea fursa ya kukuza biashara yetu. Tumeunda mikakati yetu ya kuhakikisha kwamba tunafanya maamuzi mwafaka ambayo yataleta matokeo mazuri kwa biashara yetu. Tumeegemeza biashara yetu siyo tu kwa ajili ya kunasa kila nafasi ya uwekezaji inayojitokeza bali pia ili kukupatia wewe mteja wetu thamani ya uwekezaji wako.

RIPOTI YA MWENYEKITI (CONTINUED)

MATOKEO YA KIFEDHA

Nina furaha ya kukufahamisheni kwamba tumepata matokeo ya kuvutia katika kipindi hiki kinachochanganuliwa; jumla ya mapato ya bima zilizochukuliwa, mapato baada ya kuondoa gharama na pamoja na mapato ya uwekezaji, vitengo vyote hivyo vilionyesha ukuaji. Nina furaha kukuelezeni kwamba matokeo haya yamepelekea faida yetu kabla ya kutoa ushuru kukua kwa 11% kutoka Kshs 2.9 Bilioni hadi Kshs 3.2 Bilioni. Hazina ya milki zetu ilikua kutoka Kshs 23 Bilioni hadi Kshs 28 Bilioni, hii ikiwa ongezeko la 19% huku fedha za wenyehisa wa shirika hili zikiimarika kwa 22% kutoka Kshs 14.6 Bilioni hadi kufikia Kshs 17.9 Bilioni.

KUWEPO KWA MKAKATI MAHUSUSI

Matokeo haya mazuri yanaakisi mkakati wetu maalum wa kukuza biashara yetu ya bima kuu pamoja na kitengo chetu cha uwekezaji. Tunaamini kuwa tukishatekeleza mikakati yetu yote, tutapanua soko letu, kuimarisha usimamizi wa shirika, tutathibiti mbinu za kukabiliana na majanga pamoja na kuboresha mifumo yetu ya ndani, kufikia mbinu endelevu za kuimarisha ukuaji wa fedha, kupokea mapato ya juu kwenye uwekezaji wetu, kuongeza thamani ya wenyehisa wetu na hali kadhalika kuinua imani ya wawekezaji wetu.

USTAWI WA BIASHARA

Kwa upande mwingine, Kenya Re imeendelea kupanuka hadi kwenye masoko ya kimaeneo barani Afrika na Mashariki Ya Kati. Kwa sasa, tumefikisha biashara yetu katika zaidi ya mataifa 45 na katika zaidi ya kampuni 160 za bima barani Afrika, Mashariki ya Kati na bara Asia. Kampuni hizi zinaendelea kunufaika kutokana na huduma zetu pana. Afisi yetu katika ukanda wa Magharibi mwa Afrika inaendelea kutimiza malengo. Tutazidi kutegea kwa makini fursa mpya zinazoweza kusababisha upanuzi wa soko letu ili kukimu mahitaji mapana ya wateja wetu.

MAJUKUMU YA SHIRIKA KWA JAMII (CSR)

Shirika hili limeendelea kujenga ushirika thabiti na wadau wake pamoja na jamii nzima kupitia kwa kampeni ya CSR ili kuimarisha hadhi ya kijamii na kiuchumi ya wale ambao hawajabahatika kwenye jamii. Ningependa kutambua ufanisi wa kampeni ya 'Niko Fiti' ya mwaka 2013 ambapo shirika hili lilizindua misafara 3 ya magari iliyozunguka Kenya nzima kwa lengo la kugawa vifaa vya msaada. Zaidi ya walemavu 500 walinufaika kwa msaada wa viti vya magurudumu, baiskeli maalum za walemavu, viungo bandia vya mwili na mikongojo ya kutembelea miongoni mwa vifaa vingine. Tunaazimia kuendelea kuwanufaisha watu wengine wenye uhitaji mwaka huu huku tukiendelea kuwasaidia ili kudhihirisha kuwa ulemavu si unyonge. Tunawasihi kujitokeza ili kuchangia katika shughuli hii muhimu.

MGAO

Maazimio yetu ya kukuza thamani ya wenyehisa yanasalia kuwa thabiti kama ilivyodhihirishwa katika matokeo imara ya mwaka uliopita. Faida baada ya ushuru katika mwaka huo ilizalisha Ksh3 Bilioni. Kwa kuzingatia matokeo haya mazuri, bodi imependekeza mgao wa kwanza na wa mwisho wa senti 60 (Ksh).

SHUKRANI

Ninachukua fursa hii ili kuishukuru kwa dhati serikali ya Kenya, ikiwa kama mdau wetu mkuu, kwa kuendelea kutuunga mkono na kutuongoza, mamlaka zote na mashirika yote ambayo yanazidi kutoa mchango wao kwa shirika hili la Kenya Re.
Ninatoa shukrani za dhati kwa wenzangu kwenye bodi hii kwa mchango wao usio kifani na pia kujitolea kwao kwa kuliinua shirika hili na kulipeleka katika ngazi ya juu zaidi.

Pia asante kwa wateja na wawekezaji wetu wapendwa kwa msaada wao usiopimika kwa kampuni hii. Ningependa pia kuwahakikishia kuwa 'kikosi kizima cha Kenya Re' kitatimiza matarajio yenu na hata kujizatiti kuyapita.

Kwa niaba ya wakurugenzi wakuu wa Kenya Re na wafanyakazi wake wanaozidi 100 waliojitolea, ninawahakikishia kujitolea kwetu kwa dhati pasi kuchoka katika kutimiza malengo yetu ya kuzalisha mapato makubwa kwa ufanisi wa wadau wote.

ASANTENI SANA NA MOLA AWABARIKI NYOTE

Nelius Kariuki
Chairman

KENYA RE

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2013

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 2013 which show the Corporation's state of affairs.

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

RESULTS

	2013 ksh '000
Profit before taxation	3,268,803
Taxation charge	(268,372)
Profit for the year transferred to retained earnings	**3,000,431**

DIVIDENDS
The directors recommend the payment of a first and final dividend of Ksh 0.60 (2012 - Ksh 0.40) per share totalling to 420 million for the year ended 31 December 2013 (2012 – Ksh 280 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 Henry Rotich, Mr Jacob Ali Haji and Dr. Iruki Kailemia retire by rotation as Directors and, being eligible, offer themselves for re-election at the Annual General Meeting to be held on 13 June 2014

SECRETARY
The Corporation's Secretary is Mr Charles Kariuki.

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

Deloitte & Touche were appointed by the Auditor General to carry out the audit for the year ended 31 December 2013.

BY ORDER OF THE BOARD

Secretary
28 April 2014
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.

....	....	....
Principal Officer	Chairman	Director

28 April 2014

MANAGING DIRECTOR'S STATEMENT

PERFORMANCE

Kenya Re is delighted to announce a successful year 2013. During the year, our corporate strategies continued to drive growth for the benefit of our stakeholders. The Corporation has continued to achieve improved performance in all its areas of operations. The premiums written, net earned premiums, profitability and assets base, among other indicators registered commendable growth in the 2013 financial year. The Corporation's growth can be attributed to the continuous review of our corporate strategy. The objective of this is to attain focused growth in the Corporation's fundamental areas of business, and to obtain increased shareholder value. This has to be achieved bearing in mind the competitive and dynamic business environment as well as the international nature of reinsurance business.

FINANCIAL RESULTS

During the year 2013, Gross premiums written grew by 21% from Kshs 7.9 billion in the year 2012 to Kshs 9.6 billion in the year 2013. The net earned premiums grew from Kshs 7 billion to Kshs 8.5 billion, a 22% increase. This growth in gross written premium was as a result of focused implementation of the Corporation strategic plan. The Corporation received new treaty and facultative business and enjoyed tremendous support from cedants across its chosen markets. Retrocession premiums grew by 15% in line with overall growth in business and an expensive retrocession market in year 2013.

The net claims incurred grew by 16% from Kshs 4 billion in 2012 to Kshs 4.7 billion in 2013. The growth in claims was as a result of both severity and frequency of claims across the chosen markets of the Corporation.

Our investment income decreased by 14% to Kshs 2.2 billion in 2013 from Kshs 2.6 billion in 2012. This is accounted for by a one off gain on sale of an asset of Kshs 310 Million in 2012 and the higher interest rate regime in 2012 (ave 12.7%) compared to year 2013 (ave 8.3%). Our investment portfolio increased by 19% to Kshs 23.9 billion.

OVERALL PERFORMANCE

Pretax profits grew by 11% from Kshs 2.9 billion to Kshs 3.2 billion in 2013. Profit after tax increased by 7% from Kshs 2.8 billion in 2012 to Kshs 3 billion in 2013.

FINANCIAL POSITION

The Corporation's asset base increased by 19% from Kshs 23.7 billion in 2012 to Kshs 28.2 billion in 2013. The shareholders' funds were up 22% from Kshs 14.6 billion in 2012 to Kshs 17.9 billion in 2013.

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+ by A.M. Best and AA for domestic claims paying ability by GCR.

MARKET AND PRODUCT DEVELOPMENT

This good results have been achieved through consistent support and partnership of the Kenyan Insurance industry which remains our largest single market for the short term as well as long term business. Aggressive marketing was undertaken in selected markets across the African continent, Middle East and Asia which led to the acquisition of new and maintenance of existing treaty and facultative reinsurance business in both life and non-life portfolios. In addition we focused on efficient claims management, product innovation and offering new covers to our clients.

We launched the Retakaful window and established a shariah supervisory board to oversee its implementation. We see this as a huge opportunity as the Retakaful business is worth USD10 Billion (Kshs 778 billion) worldwide. It is projected to grow to USD 25 billion (Kshs 2 Trillion) by 2015. In Kenya, the Muslim population is substantial and growing.

MANAGING DIRECTOR'S STATEMENT (CONTINUED)

The launch of this window will facilitate strengthening of Retakaful capacity in Kenya and the other markets of the corporation.
During the year 2013, we conducted technical reinsurance seminar and workshops in various countries including Kenya, Rwanda, Zambia, Cameroon, Ethiopia and Senegal. This earned us increased business and customer loyalty. Our West Africa office continued to perform well. We will fully subsidiarise that office by June 2014. We have to beef up our operations in that region. We have recruited additional capable staff who will enable us exploit the high potential francophone markets. Our plans to set up a regional office for the Southern Africa markets are underway.

In addition, we are working to create local capacity and expertise into Oil and Gas Reinsurance following discovery of oil in Kenya. In 2013, the Corporation brought together stakeholders in the energy and insurance sector to work out ways of handling the oil and gas resources discovered in Kenya. We held seminars to create technical capacity in oil and gas insurance and technical reinsurance.

INVESTMENTS

We have began the process of setting up an ultra-modern high rise green commercial building in upper hill to cater for the growing demand for office space within Nairobi.
We continue to offer affordable mortgages to the public which has over the years uplifted the lives and welfare of many Kenyans who have had the opportunity to own their own homes. Due to the increased demand for housing, as well the increased population the Corporation is pleased to report a high uptake in its mortgages.

ERP

We realize that technology plays a major role in enhancing operations and serving clients effectively. We are currently in the process of implementing an integrated enterprise resource planning (ERP), that once complete will enhance service delivery as well as augment risk management and corporate governance.

BRAND EQUITY

The Corporation has carried out a brand equity survey and our brand equity index has risen from 48% in 2012, 62% in 2013 and 70% as at April 2014. The rebranding exercise is one of the reasons that has led to the rise in the brand equity. This exercise was undertaken in a bid to change our corporate culture and internal systems and process in order to serve our clients more effectively. The rebranded Kenya Re has tremendously improved our perception and corporate personality in line with our new vision, mission and core values. We have refreshed the corporate brand, repositioned ourselves in the market place and provided a fresh appeal to our stakeholders.

The Kenya Re brand is now seen as bold and outgoing where it was previously seen as a sleeping giant.

HUMAN CAPITAL

As a Corporation we realize that our corporate objectives cannot be met without the support of committed, contented and loyal staff. We realise that it is important that our staff completely internalize what our corporate objectives are, what we aim to achieve and where we want to be in the future in every area of our operations. To this end, we continue to invest more in our staff through performance management, succession planning and development programmes. We are continuously recruiting skilled staff to bring in fresh new perspectives on how to realize our corporate objectives.

CORPORATE SOCIAL RESPONSIBILITY

One of our six core values is 'Good Corporate Citizenship'. Under this core value we make the promise that we will remain conscious of the lives and livelihoods of the people in the communities we operate in, and will participate in projects that provide both emotional and financial support in demonstration of our commitment to social responsibility. We have an elaborate corporate social responsibility policy integral to our daily operations. We dedicate a percentage of the Corporation's annual net profits to CSR activities.
Through our Niko Fiti- Ability Beyond Disability campaign, we have managed to change the lives of many persons with physical disability in the country by providing them with assistive device. In 2013, the project distributed over 500 assistive devices across the country and aims to give a bigger number in 2014.
The program gained recognition in 2013 and was awarded CSR campaign of the year by the Public Relations Society of Kenya awards. This is a testament that the program is making an impact and touching the lives of many. We will continue to build this program so that we can continue to impact the lives of many others.

THE FUTURE

The reinsurance business environment is extremely dynamic, unpredictable and characterised by cut-throat competition. Only entities fortified by appropriate strategies will survive or thrive. Unprepared businesses will surely be carnage on the wayside of "business avenue". As a Corporation we believe we have the strategy that will take Kenya Re to the next level of operational efficiency and success within its operating business environment. To sustain our continued expansion and relevance to this effect we reviewed our corporate strategic pillars to include "customer centricity," as the sixth pillar. This is in addition to the other five which are financial performance, business development, risk management, business process improvement and people performance. These pillars are underpinned by six key strategic objectives. These strategic objectives will ensure that we continue to engage in improving our customer service, continue to provide new and innovative products, enhance our processes and operations and build relationships with our stakeholders. We will indeed seek to maintain our ISO Certification (ISO 9001:2008), this should continue to drive efficiencies and act as a framework around which we will execute international best practices.

CONCLUSION

In conclusion, I take this opportunity to sincerely express my appreciation to the Board of directors for its wise council and guidance. I thank the management of Kenya Re for their tireless efforts towards achieving our corporate objectives. I greatly appreciate the continued support of our stakeholders without which we would not be here today. I thank our shareholders for the trust and faith they have in us by acquiring and retaining their stake in the corporation. We believe the strategies outlined above will be fruitful and position us in line with our vision: *"To Be the Reinsurer of Choice in Our Chosen Markets."*

THANK YOU

Jadiah M. Mwarania
Managing Director

TAARIFA YA MKURUGENZI MKUU

MATOKEO

Kenya Re ina furaha ya kutangaza kukamilika kwa mwaka wa 2013 uliokuwa na mafanikio. Katika mwaka huo, mikakati yetu maalum ya shirika iliimarisha ukuaji wetu kwa manufaa ya wadau wetu. Shirika hili limeendelea kupata matokeo bora katika vitengo vyake vyote vya utendakazi. Mapato kutokana na bima zilizochukuliwa, mapato ya bima baada ya kuondoa gharama, faida zake na hazina yetu ya amali miongoni mwa vielekezi vingine yalikua kwa kiasi cha kuridhisha katika mwaka wa kifedha wa 2013. Ustawi wa shirika hili unaweza kufungamanishwa na urekebishaji wa mkakati wetu wa kishirika wa mara kwa mara. Lengo la haya ni kupata ukuaji unaotarajiwa katika vitengo muhimu vya biashara ya shirika hili, na kuwapa wenyehisa wetu thamani iliyoimarika. Haya yanafaa kutimizwa hasa unapozingatia mazingira ya biashara yenye ushindani mkali na ambayo ni changamano pamoja na hali halisi ya kimataifa ya biashara ya mashirika ya bima kuu.

MATOKEO YA KIFEDHA

Katika mwaka wa 2013, mapato ya jumla ya bima zilizochukuliwa yalikua kwa 21% kutoka Kshs 7.9 Bilioni katika mwaka wa 2012 hadi Kshs 9.6 Bilioni katika mwaka wa 2013. Mapato baada ya kutoa gharama yalikua kutoka Ksh. 7 Bilioni hadi Ksh. 8.5 Bilioni, ikiwa ni ongezeko la 22%. Ukuaji huu katika mapato ya jumla ya bima ulitokana na utekelezaji thabiti wa mikakati mahsusi ya shirika. Shirika hili lilipata mwafaka mpya na biashara ya kimaeneo na kufurahia mchango mkubwa kutoka kwa tanzu zake zilizoko kwenye masoko yake yote teule. Mapato ya bima za kubadilishana baina ya mashirika ya bima kuu yalikua kwa 15% kulingana na ukuaji wa jumla wa biashara hii na hali kadhalika soko ghali la ubadilishanaji bima katika mwaka wa 2013.

Mapato ya fidia baada ya kuondoa gharama yalikua kwa 16% kutoka Kshs 4 Bilioni mnamo 2012 hadi Kshs 4.7 Bilioni mwaka wa 2013. Ukuaji wa fidia hizo ulitokana na kudai kwa dhati bila kuchoka katika masoko yote teule ya shirika hili.

Mapato yetu ya uwekezaji yalipungua kwa 14% hadi Kshs 2.2 Bilioni katika mwaka 2013 kutoka Kshs 2.6 Bilioni mwaka 2012. Hili linatokana na pato moja kuu la kando katika uuzaji wa milki ya Kshs 310 Milioni katika mwaka wa 2012 na kiwango cha juu cha riba katika mwaka wa 2012 (takribani 12.7%), ikilinganishwa na mwaka 2013 (takribani 8.3%). Hazina yetu ya uwekezaji iliongezeka kwa 19% hadi kufikia Kshs 23.9 Bilioni.

MATOKEO YA JUMLA

Faida kabla ya kutoa ushuru ilikua kwa 11% kutoka Kshs 2.9 Bilioni hadi Kshs 3.2 Bilioni katika mwaka wa 2013. Faida baada ya ushuru iliongezeka kwa 7% kutoka Kshs 2.8 Bilioni mnamo 2012 hadi Kshs 3 Bilioni mwaka 2013.

HALI YA KIFEDHA

Hazina ya amali za shirika hili iliongezeka kwa 19% kutoka Kshs 23.7 Bilioni katika mwaka wa 2012 hadi Kshs 28.2 Bilioni mnamo mwaka wa 2013. Fedha za wenyehisa ziliimarika kwa 22% kutoka Kshs 14.6 Bilioni katika mwaka wa 2012 hadi Kshs 17.9 Bilioni katika mwaka wa 2013. Ongezeko hili katika hali ya fedha ya shirika hili inahusishwa pakubwa na viwango vyetu vya juu vya fedha ambavyo mashirika ya kimataifa ya kutia katika mizani kifedha ikiwemo shirika la 'A.M. Best na Global Credit Rating (GCR)', hutuweka kila mara. Viwango hivyo ni B+ iliyotolewa 'A.M Best na ile ya 'AA' katika uwezo wa kulipa fidia humu nchini ilitoka kwa shirika la 'GCR'.

USTAWI WA SOKO NA BIDHAA

Matokeo haya mazuri yalipatikana kupitia msaada usiokatika na ushirikiano wa biashara ya bima nchini Kenya ambayo inabakia kuwa soko letu kubwa zaidi katika biashara za kipindi kifupi na kipindi kirefu. Ukakamavu katika utangazaji bidhaa sokoni ulitekelezwa kwenye masoko teule kote katika bara la Afrika, Mashariki ya Kati na bara Asia ambayo yalipelekea kupatikana kwa mwafaka mpya na udumishaji wa mwafaka uliokuwepo pamoja na biashara ya kimaeneo katika bima za maisha na zisizo za maisha. Kadhalika tulizingatia usimamizi mzuri wa fidia, ubunifu wa bidhaa pamoja na kutoa bima mpya kwa wateja wetu. Tulizundua bima ya Takaful na kuundua bodi ya uangalizi ya sharia ili kusimamia utekelezaji wa bima hiyo. Tunaona hii kama nafasi kubwa kwetu kwani biashara ya Takaful inauwekezaji wa dola za Amerika Bilioni 10 ambayo ni (Kshs 778 Bilioni) kote duniani. Inakadiriwa kukua hadi dola 25 Bilioni (Kshs 2 trilioni) kufikia 2015. Nchini Kenya idadi ya waislamu inaridhisha na bila shaka inaendelea kukua kila kukicha. Uzinduzi wa bima hii utasaidia kuimarika kwa uwezo wa Retakaful nchini Kenya na masoko mengine ya shirika hili. Katika mwaka huu wa 2013, tuliandaa semina ya kiufundi ya biashara ya bima kuu pamoja na makongamano katika nchi mbali mbali ikiwemo Kenya, Rwanda, Zambia, Cameroon, Ethiopia Na Senegal. Hatua hii ilituongezea biashara zaidi na uaminifu wa wateja.

TAARIFA YA MKURUGENZI MKUU (CONTINUED)

Afisi yetu ya Afrika magharibi iliendelea kufanya vyema. Tutaikamilisha afisi hiyo kama utanzu kamili kufikia Juni 2014. Ni lazima tuimarishe utendakazi wetu katika ukanda huo. Tumesajili wanyakazi zaidi wenye uwezo ambao watatuwezesha kuyazunguka masoko yanayozungumzwa lugha ya kifaransa na ambayo yana uwezo maradufu.
Mipango yetu ya kuunda afisi ya ukanda katika masoko ya eneo la Afrika ya Kusini bado inaendelea.
Kadhalika, tunajitahidi kutoa uwezo na ujuzi wa humu nchini kuhusiana na bima kuu ya mafuta na gesi kufuatia kugunduliwa kwa mafuta nchini Kenya. Katika mwaka wa 2013, shirika hili lilileta pamoja wadau katika sekta za kawi na bima ili kubuni mbinu za kusimamia rasilmali za mafuta na gesi zilizogunduliwa nchini Kenya. Tuliandaa semina ili kuunda uwezo wa kiufundi katika bima ya mafuta na gesi pamoja na bima kuu ya kiufundi.

UWEKEZAJI

Tumeanza harakati ya kujenga jumba la kisasa la biashara (High rise green commercial building) katika eneo la Upper hill ili kukidhi haja ya afisi yenye nafasi jijini nairobi.
Tunaendelea kutoa mkopo wa nyumba kwa umma ambao katika muda wa miaka kadha umeinua maisha na pia kikidhi maslahi ya wakenya wengi ambao wamepata fursa ya kumiliki nyumba zao wenyewe. Kufuatia kuongezeka kwa mahitaji ya nyumba, sawa na ongezeko la idadi ya watu, shirika hili lingependa kutangaza kuongezeka katika uchukuaji wa mkopo wake wa nyumba.

MIPANGO YA RASILMALI YA KIBIASHARA (ERP)

Tunagundua kwamba teknolojia hutekeleza jukumu kubwa katika kuwezesha utendakazi na huduma za hali ya juu kwa wateja. Kwa sasa tumo katika harakati ya kutekeleza mpango wa uwianishaji wa mipangilio ya rasilmali za biashara al-maarufu Integrated Enterprise Resource Planning (ERP), ambayo ikikamilika itawezesha utoaji wa huduma na kuchangia katika ukabilianaji na hatari pamoja na usimamizi mzuri wa shirika.

USOROVEYA WA THAMANI

Shirika hili limefanya utafiti wa usoroveya wa thamani (brand equity) na kugundua kuwa thamani yetu imepanda kutoka 48% katika mwaka 2012, 62% katika mwaka 2013 na 70% kufikia Aprili 2014.
Harakati ya kuunda upya ni mojawapo ya sababu zilizopelekea thamani yetu kupanda. Harakati hii iliendeshwa kwa lengo la kufanyia mabadiliko kanuni yetu ya shirika na mifumo ya ndani pamoja na kuboresha thamani yetu ili kuhudumia wateja wetu vyema zaidi.
Kenya Re iliyotangazwa upya imeimarisha pakubwa mtazamo na muonekano wetu wa kishirika kwa uwiano na maono yetu mapya, huduma na thamani zetu kuu. Tumefanya upya thamani yetu kama shirika, tukajiweka katika nafasi nzuri kwenye soko na kuwaonyesha wateja wetu taswira mpya kama shirika.
Kenya Re mpya sasa inaonekana kama shupavu na inayotamba tofauti kabisa na jinsi ilivyokuwa ikionekana hapo awali kama jitu linalosinzia.

KUWEKEZA KWA WAFANYIKAZI

Sisi kama shirika tumetambua kuwa malengo yetu ya kishirika hayawezi kufikiwa bila msaada wa wafanyakazi waliojitolea, walioridhika na waaminifu. Tunatambua kuwa wafanyakazi wetu wanafahamu vyema malengo yetu kama shirika, kwamba tunadhamiria kuafikia nini na pale tunapolenga kufika siku zijazo katika utendakazi wetu. Kwa hivyo, tunaendelea kuwekeza zaidi katika wafanyakazi wetu kupitia usimamizi mzuri wa utendakazi, mpangilio mzuri wa kurithisha, pamoja na mipango ya kujistawisha. Tumeendelea kuajiri wafanyakazi wenye ujuzi ili kutuletea mitazamo mipya ya jinsi tunavyoweza kufikia malengo yetu ya kishirika.

JUKUMU LA SHIRIKA KWA JAMII (CSR)

Mojawapo ya kanuni zetu kuu sita ni 'Uraia mwema kama shirika'. Katika thamani hii kuu tunaahidi kuwa tutaendelea kutambua maisha na maslahi ya watu walio katika jamii tunayoendeshea kazi zetu, na tutashiriki katika miradi ambayo inawafaa kihisia na kifedha kama harakati ya kuonyesha kujitolea kwetu kutimiza majukumu ya shirika kwa jamii. Tunayo sera kamilifu ya jukumu la shirika kwa jamii kwenye shughuli zetu za kila siku. Huwa tunatenga sehemu ya faida ya shirika hili kwa ajili ya shughuli za CSR.
Kupitia kwa Niko Fiti - ambayo ni kampeni ya Uwezo Unaozidi Ulemavu, tumeweza kubadilisha maisha ya watu wengi wenye ulemavu nchini humu kwa kuwapa vifaa vya kuwasaidia maishani mwao. Mnamo 2013, mradi huo uligawa zaidi ya vifaa 500 vya kuwasaidia walemavu kote nchini na mwaka huu 2014 tunalenga kutoa zaidi ya idadi hiyo.
Mradi huo ulipata kutambuliwa mnamo 2013 na kupokezwa tuzo ya kampeni bora ya mwaka katika utumizaji wa CSR na shirika la 'Public Relations Society Of Kenya awards'. Huu ni ushuhuda kwamba miradi yetu inazidi kuleta mabadiliko na kuinua maisha ya wengi. Tutaendelea kuimarisha mradi huu ili tuendelee kuleta mabadiliko katika maisha ya wengi.

MUSTAKABALI

Mazingira ya biashara ya bima kuu ni changamano zaidi, hayabashiriki na yana ushindani mkali zaidi. Ni mashirika yenye mikakati thabiti pekee ambayo yatadumu na kunawiri. Biashara zisizojiandaa vyema hakika zitajiondoa kwenye 'mkondo wa kibiashara'. Sisi kama shirika tunaamini kwamba tunao mkakati ambao utafikisha Kenya Re kwenye kiwangi cha juu cha ubora katika utendakazi na mafanikio katika mazingira yake ya kufanyia biashara.
Ili kudumisha upanuzi wetu na kuendelea kustahamili kwenye soko, tumerekebisha nguzo zetu mahsusi za shirika ili kujumuisha 'uegemeaji kwa wateja' kama nguzo yetu ya sita. Hii ni mbali na nguzo nyingine tano; matokeo bora ya kifedha, ustawi wa biashara, ukabilianaji na majanga, uimarishaji wa harakati za biashara na utendakazi wa watu.
Nguzo hizi zinaendana sambamba na malengo sita makuu. Malengo haya makuu yatahakikisha kuwa tunaendelea kujishughulisha na uimarishaji wa huduma zetu kwa wateja, kuendelea kutoa bidhaa mpya na bunifu, kuimarisha harakati zetu na utendakazi na kujenga mahusiano na wadau wetu.
Waama tutajikaza ili kudumisha viwango vyetu vya ISO (ISO 9001: 2008). Hatua hii inafaa iendeleze uinuaji wa ufaafu wetu na kutoa muongozo ambao utatuwezesha kutekeleza mienendo miema ya kimataifa.

MWISHO

Kwa kumalizia, ninachukua fursa hii kuishukuru kwa dhati bodi ya wakurugenzi wakuu kwa ushauri na maelekezo yake ya busara.
Ninashukuru usimamizi wa Kenya Re kwa jitihada zake za kufikia malengo yetu ya shirika bila kuchoka.
Ninatambua kwa hakika msaada usiokatika wa wadau wetu ambao kama ungekosekana hatungekuwa hapa leo.
Ninashukuru wenyehisa wetu kwa kuendelea kutuamini kiasi cha kuzidi kudumisha hisa zao kwenye shirika hili.
Tunaamini kwamba mikakati iliyotajwa hapa itazidi kuzaa matunda na kutuelekeza kufikia maono yetu: *"Kuwa mwanabima bora na anayependwa mno katika masoko yetu teule."*

ASANTENI.

Jadiah M. Mwarania
Managing Director

STATEMENT OF 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 four (4) special meetings during the year under review. As the Corporation is a State Corporation, the Inspector General of State Corporations from time to time attends meetings of the Board and Board Committees for oversight and advisory purposes in accordance with the State Corporations Act.

Committees of the Board

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

a) Audit Committee

The membership of the Audit Committee is comprised as follows:

Everest Lenjo - Chairman
Jacob Haji Ali
Dr. Lumbi Wa M'Nabea
Priscilla Kirigua
Cabinet Secretary – National Treasury

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

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

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

STATEMENT OF CORPORATE GOVERNANCE (continued)

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
Cabinet Secretary – National Treasury
The responsibilities of this Committee include:

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

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

c) Human Resources Committee

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

Dr. Iruki Kailemia - Chairman
Jacob Haji
Everest Lenjo
Dr. Lumbi Wa M'Nabea
Jadiah Mwarania
Cabinet Secretary – National 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 six (6) special meetings in the year under review.

d) Finance Investment and Tender Oversight Committee

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

Felix Okatch - Chairman
Dr. Iruki Kailemia
Jadiah Mwarania
Cabinet Secretary – National Treasury

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

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

STATEMENT OF CORPORATE GOVERNANCE (continued)

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 2013 are disclosed in the notes to the financial statements under note 42. Non-executive directors are paid sitting allowances for every meeting attended. There were no arrangements for the directors to acquire benefits through the acquisition of the Corporation's shares. Loans and advances to directors as at the end of the year are also disclosed in the financial statements under note 42.

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 2013 were as follows:

Directors' interests as at 31 December 2013:

	Number of shares	% Shareholding
Cabinet Secretary to the National Treasury of Kenya	420,000,000	60
Jadiah Mwarania	100,000	-
Nelius Kariuki	38,510	-
Gladys Mboya	18,400	-
Jacob Haji Ali	2,336	-
Felix Okatch	15,800	-
Dr. Iruki Kailemia	1,537	-
Everest Lenjo	1,166	-
	420,177,749	**60**

Major Shareholders

Cabinet Secretary to the National Treasury of Kenya	420,000,000	60.004
Cooperative Bank Custody A/C 4003A	15,204,072	2.172
National Social Security Fund	10,737,910	1.534
Gidjoy Investments Limited	10,271,382	1.467
Standard Chartered (K) Nominees Ltd A/C 9230	9,104,717	1.301
CFC Stanbic Nominees Ltd A/C NR 1030624	8,991,100	1.285
Cooperative Custody A/C 4003	8,296,417	1.185
Standard Chartered (K) Nominees Ltd A/C 9389	7,671,800	1.096
CFC Stanbic Nominees Ltd A/C R48701	6,361,231	0.909
CFC Stanbic Nominees Ltd A/C NR 1030685	4,720,600	0.674
Best Investment Decision Limited	4,310,927	0.616
Standard Chartered (K) Nominees Ltd A/C 9197	3,915,492	0.559
	509,585,648	**72.802**

STATEMENT OF CORPORATE GOVERNANCE (continued)

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

Shares Range	Shareholders	Number of Shares	% Shareholding
1 - 500	77,043	17,345,169	2.48
501 - 1,000	17,076	11,934,654	1.71
1,001 - 5,000	14,934	28,690,741	4.10
5,001 - 10,000	1,438	9,976,873	1.43
10,001 – 50,000	1,272	24,940,921	3.56
50,001 - 100,000	143	10,100,850	1.44
100,001 - 500,000	125	25,282,389	3.61
500,001- 1,000,000	26	19,268,522	2.75
1,000,001 & above	36	552,408,949	78.92
	112,093	**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	104,640	107,476,538	15.35
Local Institutional Investors	6,907	566,899,587	80.99
Foreign Investors	546	25,572,943	3.66
	112,093	**699,949,068**	**100.00**

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Chairman

28 April 2014

Director

MANAGEMENT TEAM PROFILES

JADIAH MWARANIA - 49
MANAGING DIRECTOR

BETH S. NYAGA - 48
GENERAL MANAGER (REINSURANCE OPERATIONS)

MICHAEL J. MBESHI - 50
GENERAL MANAGER (PROPERTY & ADMINISTRATION)

CHARLES KARIUKI - 37
Ag. CORPORATION SECRETARY

JAQUELINE NJUI - 49
Ag. GENERAL MANAGER (FINANCE & INVESTMENT)

Mr. Mwarania was appointed the Managing Director of the Corporation on 12th April 2011. He has over 20 years experience. 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 a Fellow of the Kenya Institute of Management (FKIM). He is also a member of the Board of Directors of Industrial Development Bank (IDB), an Alternate Director on the Board of Directors of Zep Re (PTA Reinsurance Company) and the Chairman Executive Committee (EXCO) of the Association of Kenya Reinsurers (AKR). He is a Board Member of the Insurance Training and Education Trust (ITET) Board and member of the Finance and Development Committee of the Board of the College of Insurance of Kenya. Mr. Mwarania is a holder of the Order of Grand Warrior Award (OGW).

Beth S. Nyaga is the General Manager, Reinsurance Operations. She joined the Corporation 23 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 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.

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

Mr. Mbeshi joined Kenya Reinsurance Corporation Limited on 19th October 1994 as a Premises Officer and was deployed to Property Department. He has risen through the ranks to his current position of General Manager, Property & Administration. Mr. Mbeshi holds a Bachelor of Arts (Land Economics) from the University of Nairobi. He is a full member of the Institute of Surveyors of Kenya and the Kenya Institute Management. He is a holder of MBA from ESAMI (East and Southern Africa Management Institute). Prior to joining Kenya Re Mr. Mbeshi had worked as an Urban Valuer with the Ministry of Lands. He is a 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 24 years working experience.

Jaqueline Njui is the acting General Manager, Finance & Investments. She Joined the Corporation in 1994 as an accountant and rose through the ranks to the current position which she has been holding since early 2014. She has over 20 years experience in Finance and Investments. She holds a Bachelor of Commerce (Accounting Option) (HONS.) degree from the University of Nairobi and is finalizing her Executive Master of Business Administration in Finance (EMBA) from the Moi University. She is a Certified Public Accountant (CPA) of Kenya and a registered member of ICPAK.

ACTUARY'S CERTIFICATE

Kenya Reinsurance Corporation Limited

Actuarial Valuation as at 31 December 2013

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 2013 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 2014

FINANCIAL SERVICES (EAST AFRICA) LIMITED

ALEXANDERFORBES

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

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KENYA RE

REPORT OF AUDITOR GENERAL

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NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON KENYA REINSURANCE CORPORATION LIMITED FOR THE YEAR ENDED 31 DECEMBER 2013

REPORT ON THE FINANCIAL STATEMENTS

The accompanying financial statements of Kenya Reinsurance Corporation Limited set out on pages **34** to **76**, which comprise the statement of financial position as at 31 December 2013, 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 & Touche, auditors appointed under Section 39 of the Public Audit Act, 2003. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) 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

REPORT OF AUDITOR GENERAL

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 2013, 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 Kenyan Companies Act, I report based on my 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 my 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

28 April 2014

AFISI YA UKAGUZI WA KITAIFA NCHINI KENYA

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S.L.P 30084-00100
NAIROBI

RIPOTI YA MKAGUZI MKUU WA MAHESABU KUHUSU SHIRIKA LA BIMA LA KENYA REINSURANCE CORPORATION LIMITED KATIKA MWAKA ULIOKAMILIKA TAREHE 31 DESEMBA 2013

RIPOTI KUHUSU TAARIFA ZA KIFEDHA

Taarifa andamizi za kifedha za Kenya Reinsurance Corporation Limited zilizoorodheshwa kwenye ukurasa wa 34 hadi 76, na zinazojumuisha taarifa za hali ya fedha kufikia tarehe 31 Desemba 2013, na taarifa ya mapato kamilifu, taarifa za mabadiliko kwenye hisa za Equity na taarifa kuhusu mtiririko wa pesa katika mwaka uliokamilika pamoja na muhtasari wa sera muhimu za nyaraka za uhasibu na pamoja na habari nyinginezo bainifu zimekaguliwa kwa niaba yangu na shirika la Deloitte & Touche, ambao ni wakaguzi waliochaguliwa kwa mujibu wa Sehemu ya 39 ya Sheria ya Ukaguzi wa Umma, mwaka 2013. Wakaguzi wameniarifu ipasavyo matokeo ya ukaguzi wao kwa msingi wa ripoti yao, nami nimeridhika kuwa habari na maelezo yote, ambayo kwa ufahamu wangu wote na imani, yalistahili, yote yaliyohitajika katika ukaguzi yalipatikana.

Majukumu ya Usimamizi katika Taarifa ya Fedha

Usimamizi unawajibikia matayarisho na uwasilishaji sawa wa taarifa hizi za kifedha kulingana na Viwango vya Kimataifa ya Utoaji Ripoti za Fedha na kwa udhibiti wa ndani unaoamuliwa na usimamizi ni muhimu katika kuwezesha maandalizi ya taarifa za kifedha zisizokuwa na dosari za kirasilmali, ama kutokana na ufisadi au makosa.
Usimamizi pia unawajibikia uwasilishaji wa taarifa za kifedha kwa Mkaguzi Mkuu wa Mahesabu ya Fedha kulingana na kanuni za Sehemu ya 13 ya Sheria ya Ukaguzi wa Mahesabu ya Fedha ya Umma, mwaka 2013.

Jukumu la Mkaguzi Mkuu wa Mahesabu ya Fedha

Jukumu langu ni kutoa maoni kuhusu taarifa hizi za fedha kwa msingi wa ukaguzi na ripoti kulingana na kanuni za Sehemu ya 15(2) ya Sheria ya Ukaguzi wa Mahesabu ya Fedha ya Umma, mwaka 2013 na kuwasilisha ripoti ya ukaguzi kwa kufuata Kifungu cha 229(7) cha Katiba ya Kenya.
Ukaguzi uliendeshwa kwa kufuata Viwango vya Kimataifa vya Ukaguzi. Viwango hivyo vinahitaji kuwepo kwa maadili ya kutosha na kwamba ukaguzi utayarishwe na kuendeshwa ili kuafikia uhakika unaokubalika kuhusu iwapo taarifa hizo za fedha hazijahasiriwa na dosari za kirasilmali.
Ukaguzi huo unahusisha ufuatiliaji wa utaratibu maalum ili kuibua ushahidi kamili wa ukaguzi kuhusu kiasi cha fedha na ubainishaji kwenye taarifa za fedha. Utaratibu huu uliochaguliwa hutegemea maamuzi ya kimantiki ya mkaguzi, ikiwemo tathmini ya hatari za kuwepo kwa dosari za kirasilmali katika taarifa za kifedha,ima iwe ni kwa sababu ya ufisadi au makosa mengine. Katika kufanya tathmini hizo za hatari, mkaguzi huzingatia vidhibiti vya ndani katika utayarishaji wake wa mahesabu pamoja na uwasilishaji mwafaka wa taarifa za kifedha ili kuunda harakati za ukaguzi zinazostahili katika mazingira husika, lakini si kwa minajili ya utoaji maoni kuhusu ubora wa vidhibiti vya ndani vya Shirika husika.
Ukaguzi huu pia unahusu kutathmini ubora wa sera za uchanganuzi wa mahesabu zilizotumika pamoja na uaminishaji wa makadirio ya mahesabu uliobuniwa na usimamizi, kwa kutathmini uwasilishaji wa jumla wa taarifa za kifedha.
Ninaamini kwamba ushahidi wa ukaguzi uliopatikana unatosha na unastahili katika kutoa msingi wa maoni yangu ya ukaguzi.

Maoni

Kwa maoni yangu taarifa za kifedha ziliwasilishwa kwa njia mwafaka, na katika kuzingatia amali zilizopo, na pia hali ya kifedha ya Shirika hili kufikia tarehe 31 Desmba 2013, pamoja na matokeo yake ya kifedha na mapato ya pesa katika mwaka huo uliokamilika, kulingana na Viwango vya Kimataifa vya Utoaji Ripoti ya Kifedha na kwa kufuata Sheria ya Kampuni, Kifungu cha 486 cha Sheria za Kenya.

RIPOTI KUHUSU MAHITAJI YA KISHERIA NA KIMAMLAKA

Kama inavyohitajika na Sheria ya Kampuni ya Kenya , ninaripoti kwa msingi wa ukaguzi wangu, kwamba:

i. Nimepata taarifa na maelezo yote ambayo, kwa ufahamu wangu wote na imani, zilihitajika kwa ajili ya ukaguzi wangu;
ii. Kwa maoni yangu, mabuku yaliyokamilika ya mahesabu ya pesa, yamehifadhiwa na Shirika hili, kama inavyoonekana katika uchunguzi wangu wa mabuku hayo; na
iii. Taarifa ya hali ya fedha ya Shirika na taarifa ya mapato kamilifu zinawiana na mabuku hayo ya mahesabu.

Edward R.O. Ouko, CBS
MKAGUZI MKUU WA MAHESABU YA FEDHA
Nairobi

Tarehe 28 Aprili 2014

CORPORATE SOCIAL RESPONSIBILITY

The smiles on their faces could not be described even with a thousand words. The blessings bestowed on the organization by both beneficiaries and handlers on receiving the devices cannot be aptly captured in prose. And when the Corporation was feted as having the Best Corporate Social Responsibility Campaign 2013/2014 in the Public Relations Society of Kenya Awards in November 2013, we knew we had truly made an impact on the lives of many.

The Niko Fiti Ability Beyond Disability campaign was launched in 2011. It is a partnership between the Standard Group and the Association of the Physically Disabled of Kenya (APDK). The campaign seeks to impact and uplift the quality of lives of persons living with various forms of physical disability. Through the campaign, Kenya Re aims to ensure that persons with disability (PWDs) are able to socially and economically integrate with society.

In 2013, Kenya Re organized a three-phase campaign to reach as many beneficiaries as possible. The campaign saw three caravans touring various parts of the country, not only distributing devices, but most importantly providing public education on the importance of not hiding PWDs but rather seeking ways they can be assisted to ensure that they live full productive lives.

The first caravan in July was flagged off at the Kenya Re Nairobi office headquarters and toured Ruiru, Karatina, Meru and Embu where 83 PWDs received devices. The second caravan in October snaked through Naivasha, Nakuru, Eldoret and Kisumu and an additional 140 beneficiaries received assistance from the campaign. The last caravan in December 2013 began with distribution in Nairobi before going to Eastern and Coastal regions where devices ranging from walking frames, crutches, wheelchairs, prosthesis, special seats for children, and tricycles were given to 277 beneficiaries. Speaking during the December flag off, the Kenya Re Chairman remarked, 500 devices were distributed in 2013. "Many physically challenged persons do not get adequate care or support as a result of their humble backgrounds or financial constraints. Having assessed the situation, Kenya Re has embraced Niko Fiti as a long term venture to ensure that we uplift their lives through provision of these devices," said Mrs Nelius Kariuki. According to the National Survey for Persons with Disabilities, about 4.6 percent of Kenyans experience some form of disability. Approximately 10 percent - equivalent to 3,280,000 Kenyan men and women, are persons living with physical disability.

OTHER CSR ACTIVITIES

In 2013, Kenya Re staff also participated in other CSR Initiatives championed by other organizations including the Standard Chartered Marathon and Mater Heart Run. In June, the Corporation donated foodstuff to the Motherly Care Children's home and Mama Fatuma Children's Home during the holy month of Ramadhan in July 2013.

The Kenya Re Peer Team also visited a needy family that has been affected by HIV in Sotik on 25th October 2013 where they witnessed the handing over of a cow worth Kshs 55,000 donated by the Corporation.

Niko Fiti Flag off
Kenya Re Chairman Mrs. Nelius Kariuki and MD Mr. Jadiah Mwarania are flanked by former VP and APDK National Chairman Hon. Dr. Moody Awori during the Flag off of the 1st Niko Fiti Caravan on 11th July 2013 to the Central and Mt. Kenya region where over 80 assistive devices were distributed.

Niko Fiti thumbs up
Staff of Kenya Re led by Corporate Affairs Manager Ms Nancy Imunde are joined by beneficiaries in showing the Niko Fiti slogan soon after distribution at the Kisumu General Hospital on 3rd October 2013.

Peer group
The peer group team and the local area chief admire a cow that was bought by the Corporation for Mr. William Ocharo of Sotik as part of Corporate Social Responsibility on 25th October 2013.

STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2013

	Notes	Long Term Business 2013 Kshs '000	Short Term Business 2013 Kshs '000	Total 2013 Kshs '000	Total 2012 Kshs '000 Restated
INCOME					
Gross Written Premium		1,089,859	8,555,292	9,645,151	7,944,183
Change in unearned premiums		-	(620,442)	(620,442)	(505,533)
Outward Reinsurance Premium		(94,300)	(348,579)	(442,879)	(384,335)
Net Written Premium	**6**	**995,559**	**7,586,271**	**8,581,830**	**7,054,315**
Investment Income	7	520,711	1,757,038	2,277,749	2,651,422
Commissions Earned		26,657	309	26,966	70,194
Fair value gains on revaluation of investment properties	15	86,242	355,346	441,588	523,008
Other Income	8	-	76,472	76,472	94,254
Share of profit of associate	18	-	257,000	257,000	205,934
Total Income		**1,629,169**	**10,032,436**	**11,661,605**	**10,599,127**
OUTGO					
Claims & Policyholder benefits		(441,044)	(4,804,959)	(5,246,003)	(4,221,576)
Less: Reinsurers' share of claims		24,351	498,482	522,833	159,999
Net claims and policyholders benefits	9	(416,693)	(4,306,477)	(4,723,170)	(4,061,577)
Commission Payable		(291,264)	(2,202,696)	(2,493,960)	(2,041,855)
Operating & other expenses	10	(200,819)	(813,949)	(1,014,768)	(1,084,141)
Provision for doubtful debts		-	(160,904)	(160,904)	(466,919)
Total outgo		**(908,776)**	**(7,484,026)**	**(8,392,802)**	**(7,654,492)**
Profit before tax		720,393	2,548,410	3,268,803	2,944,635
Income tax expense	12(a)	(27,175)	(241,197)	(268,372)	(142,743)
Profit for the year after Tax		**693,218**	**2,307,213**	**3,000,431**	**2,801,892**
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss:					
Share of gain on property revaluation of associate	18	-	10	10	2,180
Defined benefit obligation remeasurement	38	-	(6,148)	(6,148)	44,262
Items that may be reclassified subsequently to profit or loss:					
Fair value gain on available for sale financial assets, net of tax	29	-	732,270	732,270	779,704
Reclassification adjustments relating to available-for-sale financial assets disposed in the year	7	-	(307,681)	(307,681)	(314,209)
Share of movement in associate reserves					
- Currency translation	18	-	52,978	52,978	15,757
- Fair value reserve	18	-	44,886	44,886	13,812
Adjustment to deferred tax on revaluation surplus due to change in tax rate from 20% to 30%		-	-	-	(2,466)
Total other comprehensive income for the period		**-**	**516,315**	**516,315**	**539,040**
Total Profit & other comprehensive income		**693,218**	**2,823,528**	**3,516,746**	**3,340,932**
Earnings per Share - basic and diluted	13			4.29	4.00

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Notes	Long Term Business 2013 Kshs '000	Short Term Business 2013 Kshs '000	Total 2013 Kshs '000	Total 2012 Kshs '000 Restated	Total 2011 Kshs '000 Restated
SHAREHOLDERS FUNDS						
Share Capital	32	-	1,749,873	1,749,873	1,749,873	1,500,000
Revaluation Reserve	33	-	10,973	10,973	15,994	13,439
Fair Value Reserve	33	-	1,768,740	1,768,740	1,299,255	817,768
Other Reserves (Translation reserve)	33	-	198,283	198,283	145,305	129,548
Statutory Reserve	33	3,095,848	-	3,095,848	2,402,630	1,457,106
Retained Earnings	33	-	11,098,665	11,098,665	9,072,559	7,636,823
TOTAL SHAREHOLDERS FUNDS		**3,095,848**	**14,826,534**	**17,922,382**	**14,685,616**	**11,554,684**
ASSETS						
Investment properties	15	1,145,000	5,314,000	6,459,000	5,935,000	5,365,000
Property & Equipment	16	-	112,874	112,874	80,511	87,196
Intangible assets	17	-	64,584	64,584	2,604	10,472
Investment in associate	18	-	1,652,940	1,652,940	1,340,048	1,133,445
Deferred taxation asset	19	-	594,276	594,276	614,709	330,551
Deferred acquisition costs	20	-	960,819	960,819	761,158	626,597
Unquoted equity instruments	21	-	59,965	59,965	89,971	89,971
Inventories	22	-	28,794	28,794	28,794	28,794
Non current assets held for sale	23	-	28,098	28,098	40,032	186,858
Mortgage loans	24	-	734,456	734,456	521,539	320,074
Defined benefit asset	38	-	9,044	9,044	-	-
Tax recoverable	12(c)	-	-	-	-	15,795
Receivables arising out of reinsurance arrangements	25	126,753	1,876,203	2,002,956	1,518,502	1,248,975
Premium and loss reserves	26	-	194,055	194,055	290,178	337,672
Other receivables	27	-	109,603	109,603	56,470	42,781
Corporate bonds	28	-	141,846	141,846	153,970	48,393
Quoted equity instruments	29	-	2,959,490	2,959,490	2,436,749	2,008,823
Government Securities	30	967,580	6,726,374	7,693,954	5,459,118	3,357,582
Deposits in financial institutions	31	3,054,481	1,162,521	4,217,002	4,217,389	3,687,082
Cash & Bank Balances	41	18,110	180,721	198,831	241,215	170,380
TOTAL ASSETS		**5,311,924**	**22,910,663**	**28,222,587**	**23,787,957**	**19,096,441**
LIABILITIES						
Long term reinsurance Contract Liabilities	34	2,094,357	-	2,094,357	2,073,032	2,285,709
Short term reinsurance Contract Liabilities	35	-	3,702,715	3,702,715	3,049,991	2,373,622
Unearned Premiums	36	-	3,282,685	3,282,685	2,662,244	2,156,709
Payables arising out of reinsurance arrangements	37	121,719	580,193	701,912	709,445	394,555
Defined benefit liability	38	-	-	-	23,729	90,361
Other payables	39	-	477,404	477,404	419,239	240,801
Tax payable	12(c)	-	41,132	41,132	164,661	-
TOTAL LIABILITIES		**2,216,076**	**8,084,129**	**10,300,205**	**9,102,341**	**7,541,757**
NET ASSETS		**3,095,848**	**14,826,534**	**17,922,382**	**14,685,616**	**11,554,684**

The financial statements on page 34 to 76 were approved by the board of directors on 28 April 2014 and were signed on its behalf by:

.... Principal Officer

.... Chairman

.... Director

KENYA RE

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2013

	Notes	Share capital Kshs '000	Revaluation reserve Kshs '000	Fair value reserve Kshs '000	Translation reserve Kshs '000	Statutory reserve Kshs '000	Retained earnings Kshs '000	Total Kshs '000
At 1 January 2012		1,500,000	13,439	817,768	129,548	1,457,106	7,608,624	11,526,485
Prior year adjustment	43	-	-	-	-	-	28,199	28,199
As restated		1,500,000	13,439	817,768	129,548	1,457,106	7,636,823	11,554,684
Issue of shares	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
		-	**(2,466)**	**481,487**	**15,757**	**945,524**	**1,856,368**	**3,296,670**
Prior year adjustment	43	-	-	-	-	-	44,262	44,262
Total comprehensive income-restated		**-**	**(2,466)**	**481,487**	**15,757**	**945,524**	**1,900,630**	**3,340,932**
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 - restated		**1,749,873**	**15,994**	**1,299,255**	**145,305**	**2,402,630**	**9,072,559**	**14,685,616**
At 1 January 2013								
- As previously stated		1,749,873	15,994	1,299,255	145,305	2,402,630	9,000,098	14,613,155
- Prior year adjustment	43	-	-	-	-	-	72,461	72,461
As restated		1,749,873	15,994	1,299,255	145,305	2,402,630	9,072,559	14,685,616
Profit for the year		-	-	-	-	693,218	2,307,213	3,000,431
Other comprehensive income		-	-	469,485	52,978	-	(6,148)	516,315
Total comprehensive income		**-**	**-**	**469,485**	**52,978**	**693,218**	**2,301,065**	**3,516,746**
Dividends declared – 2012	14	-	-	-	-	-	(279,980)	(279,980)
Transfer of excess depreciation		-	(7,173)	-	-	-	7,173	-
Deferred taxation thereon		-	2,152	-	-	-	(2,152)	-
At 31 December 2013		**1,749,873**	**10,973**	**1,768,740**	**198,283**	**3,095,848**	**11,098,665**	**17,922,382**

STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2013

	Notes	2013 Kshs '000	2012 Kshs '000
Cash (used in)/generated from operations	40	(92,375)	556,429
Interest received on corporate bond		18,425	11,567
Interest received on government securities		843,826	520,185
Tax paid in the year	12(c)	(371,468)	(248,911)
Net cash generated from operating activities		**398,408**	**839,270**
Cash flows from investing activities			
Purchase of investment property	15	(82,412)	(46,992)
Purchase of property and equipment	16	(55,382)	(12,216)
Purchase of intangibles	17	(65,387)	-
Dividend received from associate company	18	41,982	31,080
Net cash used in investing activities		**(161,199)**	**(28,128)**
Cash flows from financing activities			
Dividends paid	14	(279,980)	(210,000)
Net (decrease)/increase in cash and cash equivalents		**(42,771)**	**601,142**
Cash and cash equivalents at 1 January		**4,458,604**	**3,857,462**
Cash and cash equivalents at 31 December	**41**	**4,415,833**	**4,458,604**

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

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, in these financial statements the balance sheet is represented by the statement of financial position and the profit or loss account is presented in the statement of profit or loss and other comprehensive income.

(b) Adoption of new and revised International Financial Reporting Standards (IFRS)

i) New standards and amendments to published standards effective for the year ended 31 December 2013

The following new and revised IFRS's were effective in the current year and had no material impact on the amounts reported in these financial statements.

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

In May 2011, a package of five standards in consolidation and joint arrangements, associates and disclosures was issued comprising IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IASs 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures. Subsequent to the issue of these standards amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain guidance on first application of the standards.

Impact of the application of IFRS 10

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC 12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor has control over an investee when:

a) it has power over the investee,
b) it is exposed, or has rights, to variable returns from its involvement with the investee and
c) has the ability to use its power to affect its returns.

All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

The application of the amendment had no effect on the company's financial statements as the company did not have any subsidiaries as at 31 December 2013.

Impact of the application of IFRS 12

IFRS 12 requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. In high-level terms, the required disclosures are grouped into the following broad categories:

- Significant judgements and assumptions - such as how control, joint control, significant influence has been determined
- Interests in subsidiaries - including details of the structure of the group, risks associated with structured entities, changes in control, and so on
- Interests in joint arrangements and associates - the nature, extent and financial effects of interests in joint arrangements and associates (including names, details and summarised financial information)
- Interests in unconsolidated structured entities - information to allow an understanding of the nature and extent of interests in unconsolidated structured entities and to evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities

Other than additional disclosures , the application of the standard had no material impact on the amounts recognised in these financial statements.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

1 ACCOUNTING POLICIES (continued)
(b) Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

IFRS 13 Fair Value Measurement

The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply 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 for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the company has not made any new disclosures required by IFRS 13 for the 2012 comparative period.

Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' (and the 'income statement' is renamed as 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 new terminology has been adopted in these financial statements.

Amendments to IAS 1 Presentation of Financial Statements (as part of the Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012)

The Annual Improvements to IFRSs 2009 - 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the company are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when

a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and
b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

IAS 19 Employee Benefits (as revised in 2011)

IAS 19 (as revised in 2011) changes 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 the 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. All actuarial gains and losses are 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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

1 ACCOUNTING POLICIES (continued)
(b) Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)
IAS 19 Employee Benefits (as revised in 2011) (continued)

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 under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

The company recognised all actuarial gains and losses through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus, and restated the comparative amounts on a retrospective basis.

(ii) Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2013

New and Amendments to standards	Effective for annual periods beginning on or after
IFRS 9	1 January 2018
Amendments to IFRS 9 and IFRS 7	1 January 2015
Amendments to IFRS 10, IFRS 12 and IAS 27	1 January 2014

(iii) Impact of new and amended standards and interpretations on the financial statements for the year ended 31 December 2013 and future annual periods

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 are required 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. 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 is presented in profit or loss. The directors of the company anticipate that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the company's financial assets and financial liabilities (e.g. the company's investments in redeemable notes that are currently classified as available-for-sale investments will have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:
- Obtain funds from one or more investors for the purpose of providing them with professional investment management services.
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

1 ACCOUNTING POLICIES (continued)
(b) Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)
Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities (continued)

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

The directors of the company do not anticipate that the investment entities amendments will have any effect on the company's financial statements as the company is not an investment entity.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

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

The directors of the company anticipate that the application of these amendments to IAS 32 will have a significant impact on the financial statements as the company has financial assets and financial liabilities that qualify for offset. However it is not practicable to provide a reasonable estimate on the effects of IAS 32 until a detailed review has been completed.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

Amends IAS 36 Impairment of Assets to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

The directors of the company do not anticipate that the application of these amendments to IAS 36 will have a significant impact on the company's financial statements.

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)

Amends IAS 39 Financial Instruments: Recognition and Measurement to make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations.

The directors of the company do not anticipate that the application of these amendments to IAS 39 will have a significant impact on the company's financial statements.

Annual Improvements 2010-2012 Cycle

The annual improvements 2010-2012 cycle makes amendments to the following standards:

- IFRS 2 - Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.
- IFRS 3 - Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.
- IFRS 8 - Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.
- IFRS 13 - Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).
- IAS 16 and IAS 38 - Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.
- IAS 24 - Clarify how payments to entities providing management services are to be disclosed.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

1 ACCOUNTING POLICIES (continued)
(b) Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

Annual Improvements 2011-2013 Cycle

Makes amendments to the following standards:

- IFRS 1 - Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only).
- IFRS 3 - Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- IFRS 13 — Clarify the scope of the portfolio exception in paragraph 52.
- IAS 40 — Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

These IFRS improvements are effective for accounting periods beginning on or after 1 January 2014. The directors of the company do not anticipate that the application of these improvements to IFRSs will have a significant impact on the company's financial statements.

(iv) Early adoption of standards

The Corporation did not early-adopt any new or amended standards in 2013.

(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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

1. ACCOUNTING POLICIES (continued)
(c) Significant Accounting Policies (continued)
(i) Classification (continued)

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.

(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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

1. ACCOUNTING POLICIES (continued)
(c) Significant Accounting Policies (continued)
(ii) Recognition and measurement (continued)

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

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

f. Receivable and payables related to reinsurance contracts

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

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

g. Premium and loss reserves

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

Other income recognition

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 affects neither the taxable profit nor the accounting profit.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

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

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

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

(iii) Current and deferred tax for the year

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

Investment properties

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

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

Property and equipment

Property and equipment is stated at cost or valuation less depreciation and any accumulated impairment losses. Property and equipment is revalued at periodic intervals, usually every three to five years. The basis of valuation is depreciated replacement cost.

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

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

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

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%

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

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

Intangible assets – computer software and licenses

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

Impairment

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

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

Non current assets held for sale

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

Leases

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

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

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

Inventories

Inventories comprise housing units for sale.

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

Revaluation reserve

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

Fair value reserve

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

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

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.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

1. ACCOUNTING POLICIES (continued)
(c) Significant Accounting Policies (continued)
Available-for-sale financial assets (continued)

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

Recognition

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

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

Derecognition

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

Financial liabilities

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

Employee entitlements

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

Cash and cash equivalents

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

Retirement benefits obligations

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

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

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

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.

Held-to-maturity investments

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

Available for sale investments

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

Useful lives of equipment and intangible assets

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Reinsurance risk

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

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

Frequency and severity of claims

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

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

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

Sources of uncertainty in the estimation of future claim payments

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

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.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2013

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

Concentration of insurance risk (continued)

	Long term business 2013 Kshs '000	Short term business 2013 Kshs '000	Total 2013 Kshs '000	Total 2012 Kshs '000
Financial assets				
Debt securities:				
Held to maturity:				
- Government securities	950,470	6,743,484	7,693,954	5,459,118
- Corporate bonds	-	141,846	141,846	153,970
Equity securities:				
- Available for sale (Quoted)	-	2,959,490	2,959,490	2,436,749
- Available for sale (Unquoted)	-	59,965	59,965	89,971
Receivables arising out of reinsurance arrangements	126,753	1,876,203	2,002,956	1,518,502
Premium and loss reserves	-	194,055	194,055	290,178
Mortgage loans	-	734,456	734,456	521,539
Cash and cash equivalents (note 41)	2,994,192	1,421,641	4,415,833	4,458,604
Other receivables	-	109,603	109,603	56,470
Total financial assets	**4,071,415**	**14,240,743**	**18,312,158**	**14,985,101**
Reinsurance liabilities				
Long term liabilities	2,094,357	-	2,094,357	2,073,032
Short term liabilities	-	3,702,715	3,702,715	3,049,991
Total short term liabilities	**2,094,357**	**3,702,715**	**5,797,072**	**5,123,023**

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)
Concentration of insurance risk (continued)

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

	Carrying amount Kshs '000	No stated maturity Kshs '000	0-1 years Kshs '000	Contractual cash flows (undiscounted) 1-5 years Kshs '000	>5 yrs Kshs '000
Financial assets					
Debt securities:					
Held to maturity:					
- Government bonds	7,693,954	-	822,906	416,664	6,454,384
- Corporate bonds	141,846	-	-	-	141,846
Equity securities:					
- Available for sale	2,959,490	2,959,490	-	-	-
Receivables arising out of reinsurance arrangements	2,002,956	2,002,956	-	-	-
Premium loss reserves	194,055	194,055	-	-	-
Mortgage loans	734,456	-	61	8,174	726,221
Cash and cash equivalents	4,415,833	-	4,415,830	-	3
Total	**18,142,590**	**5,156,501**	**5,238,797**	**424,838**	**7,322,454**
Reinsurance liabilities					
Long term liabilities	2,094,357	2,094,357	-	-	-
Short term liabilities	3,702,715	3,702,715	-	-	-
Total	**5,797,072**	**5,797,072**	**-**	**-**	**-**
Net gap	**12,345,518**	**(640,571)**	**5,238,797**	**424,838**	**7,322,454**

31 December 2012

	Carrying amount Shs'000	No stated maturity Shs'000	0-1 years Shs'000	Contractual cash flows (undiscounted) 1-5 years Shs'000	>5 yrs Shs'000
Financial assets	14,838,660	4,245,429	4,944,124	833,924	4,815,183
Reinsurance liabilities	5,123,023	5,123,023	-	-	-
Net gap	**9,715,637**	**(877,594)**	**4,944,124**	**833,924**	**4,815,183**

Financial risk

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

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

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

(a) Liquidity risk

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

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

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

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

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

	Due on demand Kshs '000	Due after 1 year Kshs '000	Total Kshs '000
31 December 2013			
Long term reinsurance contract liabilities	-	2,094,357	2,094,357
Short term insurance contract liabilities	3,702,715	-	3,702,715
Payables arising out of reinsurance arrangements	580,193	121,719	701,912
Total financial liabilities	**4,282,908**	**2,216,076**	**6,498,984**
31 December 2012			
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**

(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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

3. *FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)*
Financial risk (continued)

(b) Market risk (continued)

Interest rate risk (continued)

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.

Currency rate risk

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

Price risk

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

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

(c) Credit risk

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)
Financial risk (continued)
(c) Credit risk (continued)

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

	2013 Kshs '000	2012 Kshs '000
Held to maturity instruments		
Government securities	7,693,954	5,459,118
Deposits with financial institutions	4,217,002	4,217,389
Corporate bonds	141,846	153,970
Loans and receivables at amortized cost		
Mortgage loans	734,456	521,539
Receivables arising out of reinsurance arrangements	2,002,956	1,518,502
Premium and loss reserves	194,055	290,178
Cash and bank balances	198,831	241,215
Other receivables	109,603	56,470
Total assets bearing credit risk	**15,292,703**	**12,458,381**

Receivables arising out of reinsurance arrangements are summarized as follows:

	2013 Kshs '000	2012 Kshs '000
Neither past due nor impaired	440,020	321,012
Past due but not impaired:		
-up to 91 to 365 days	1,221,404	891,061
-up to 1 to 2 years	341,532	306,429
-up to 2 to 3 years	-	-
Impaired	1,306,371	1,271,687
	3,309,327	**2,790,189**
Less: provision for impairment	(1,306,371)	(1,271,687)
Total	**2,002,956**	**1,518,502**

Fair value of financial assets and liabilities

(i) Financial instruments not measured at fair value

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

(ii) Fair value hierarchy

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

3. *FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)*
Fair value of financial assets and liabilities (continued)
(ii) Fair value hierarchy (continued)

- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The corporation considers relevant and observable market prices in its valuations where possible.

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

At 31 December 2013	Level 1 Kshs '000	Level 2 Kshs '000	Level 3 Kshs '000	Total Kshs '000
Financial assets				
Quoted equity instruments	2,959,490	-	-	2,959,490
Unquoted equity instruments	-	59,965	-	59,965
Receivables arising out of reinsurance arrangements	-	2,002,956	-	2,002,956
Corporate bonds	141,846	-	-	141,846
Government securities	7,693,954	-	-	7,693,954
Deposits with financial institutions	4,217,002	-	-	4,217,002
Cash and bank balances	198,831	-	-	198,831
Non- financial assets				
Investment properties	6,459,000	-	-	6,459,000
	21,670,123	**2,062,921**	**-**	**23,733,044**
Reinsurance liabilities				
Long term reinsurance contract liabilities	-	2,094,357	-	2,094,357
Short term reinsurance contract liabilities	-	3,702,715	-	3,702,715
Payables arising out of reinsurance arrangements	-	701,912	-	701,912
	-	**6,498,984**	**-**	**6,498,984**

At 31 December 2012	Level 1 Kshs '000	Level 2 Kshs '000	Level 3 Kshs '000	Total Kshs '000
Financial assets				
Quoted equity instruments	2,436,749	-	-	2,436,749
Unquoted equity instruments	-	89,971	-	89,971
Receivables arising out of reinsurance arrangements	-	1,518,502	-	1,518,502
Corporate bonds	153,970	-	-	153,970
Government securities	5,459,118	-	-	5,459,118
Deposits with financial institutions	4,217,389	-	-	4,217,389
Cash and bank balances	241,215	-	-	241,215
Non-financial assets				
Investment properties	5,935,000	-	-	5,935,000
	18,443,441	**1,608,473**	**-**	**20,051,914**
Reinsurance liabilities				
Long term reinsurance contract liabilities	-	2,073,032	-	2,073,032
Short term reinsurance contract liabilities	-	3,049,991	-	3,049,991
Payables arising out of reinsurance arrangements	-	709,445	-	709,445
	-	**5,832,468**	**-**	**5,832,468**

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

4 CAPITAL MANAGEMENT

As at 31 December 2013, 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.

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 Kshs '000	Short term Business Kshs '000	Total 2013 Kshs '000	Total 2012 Kshs '000
Super annuation	948,177	-	948,177	786,687
Ordinary life	47,382	-	47,382	117,551
Motor	-	462,403	462,403	402,034
Fire	-	2,113,969	2,113,969	2,277,263
Theft	-	632,155	632,155	545,580
Personal accident	-	799,336	799,336	471,025
Engineering	-	646,102	646,102	659,082
Marine	-	658,683	658,683	491,465
Other	-	2,273,623	2,273,623	1,303,628
	995,559	**7,586,271**	**8,581,830**	**7,054,315**

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

7 INVESTMENT INCOME

	Long term Business Kshs '000	Short term Business Kshs '000	Total 2013 Kshs '000	Total 2012 Kshs '000
Rental income from investment properties	142,825	476,225	619,050	574,594
Interest on Government securities held to maturity	277,237	566,589	843,826	520,185
Reclassification from equity of accumulated fair value gain on available for sale quoted equity instruments	-	307,681	307,681	314,209
Realised gain on sale of available for sale quoted equity instruments	-	73,611	73,611	108,785
Dividends receivable on available-for-sale quoted equity instruments	-	107,923	107,923	138,866
Interest on commercial mortgages	-	66,943	66,943	32,978
Interest on deposits with financial institutions – held to maturity	100,649	129,024	229,673	630,382
Interest on corporate bonds – held to maturity	-	18,425	18,425	11,567
Profit on sale of non current asset held for sale	-	3,757	3,757	310,271
Interest on staff mortgages and loans	-	6,860	6,860	9,585
Total investment income	**520,711**	**1,757,038**	**2,277,749**	**2,651,422**

8 OTHER INCOME

	Long term Business Kshs '000	Short term Business Kshs '000	Total 2013 Kshs '000	Total 2012 Kshs '000
Miscellaneous income	-	76,472	76,472	42,688
Net foreign exchange gains	-	-	-	51,566
Total	**-**	**76,472**	**76,472**	**94,254**

9 CLAIMS INCURRED

	Long term Business Kshs '000	Short term Business Kshs '000	Total 2013 Kshs '000	Total 2012 Kshs '000
Claims paid	419,719	4,152,235	4,571,954	3,757,884
Changes in the provision for outstanding claims	-	652,724	652,724	676,369
Increase/(decrease) in actuarial liability	21,325	-	21,325	(212,677)
Gross claims incurred	441,044	4,804,959	5,246,003	4,221,576
Less: Amounts recoverable from retrocessonaires	(24,351)	(498,482)	(522,833)	(159,999)
Net claims incurred	**416,693**	**4,306,477**	**4,723,170**	**4,061,577**

10 OPERATING AND OTHER EXPENSES

	Long term Business Kshs '000	Short term Business Kshs '000	Total 2013 Kshs '000	Total 2012 Kshs '000
Staff costs (note 11)	66,670	321,479	388,149	335,012
Depreciation (note 16)	3,936	19,083	23,019	18,901
Amortisation (note 17)	583	2,824	3,407	7,868
Auditors' remuneration	934	4,523	5,457	6,439
Directors'- emoluments	2,106	10,209	12,315	14,710
- fees	765	3,711	4,476	2,940
Mortgages provisions	-	4,737	4,737	10,951
Annual General Meeting expenses	2,558	12,404	14,962	22,832
Fines and penalties	37	179	216	133,251
Investment property direct operating expenses	32,897	159,481	192,378	214,836
Net foreign exchange losses	-	34,281	34,281	-
Travel and accommodation	7,234	35,071	42,305	41,817
Advertisement	1,814	8,796	10,610	16,310
Professional and consultancy fees	14,060	68,161	82,221	62,540
Impairment charge on unquoted equity instruments	-	30,006	30,006	-
Other expenses	67,225	99,004	166,229	195,734
	200,819	**813,949**	**1,014,768**	**1,084,141**

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

11 STAFF COSTS

	Long term Business Kshs '000	Short term Business Kshs '000	Total 2013 Kshs '000	Total 2012 Kshs '000
Salaries and wages	48,814	236,646	285,460	234,047
Retirement benefit (credit)/costs (note 38)	755	1,924	2,679	19,230
Medical expenses	3,113	15,090	18,203	18,090
Leave allowance	3,670	17,789	21,459	17,235
National social security benefit costs	41	199	240	224
Gratuity accrual	62	299	361	-
Bonus	2,151	10,430	12,581	7,615
Staff welfare expenses	1,779	8,627	10,406	6,979
Training and recruitment	2,460	11,926	14,386	9,416
Leave pay provision	337	1,638	1,975	5,451
Pension contributions	3,488	16,911	20,399	16,725
	66,670	**321,479**	**388,149**	**335,012**

12 TAXATION CHARGE

	2013 Kshs '000	2012 Kshs '000
(a) Taxation charge		
Current tax at 30% on the taxable profit for the year	384,695	429,367
Prior year over provision	(136,756)	-
	247,939	**429,367**
Deferred taxation charge/(credit) (note 19)		
- Current year	22,281	(286,033)
- Prior year over provision	(1,848)	(591)
	20,433	**(286,624)**
	268,372	**142,743**

(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:

	2013 Kshs '000	2012 Kshs '000
Short term business profit before taxation	2,548,410	1,972,584
Long term business profit before taxation	720,393	972,051
Profit before taxation	**3,268,803**	**2,944,635**
Tax applicable rate of 30%	980,641	883,391
Tax effects of non taxable income	(669,773)	(653,758)
Tax effect of non-deductible expenses	96,108	81,739
Effect on deferred tax due to change in tax rate from 20% to 30%	-	(168,038)
Prior year over provision- current tax	(136,756)	-
Prior year over provision- deferred tax	(1,848)	(591)
	268,372	**142,743**
Attributable to:		
Long term business	27,175	26,527
Short term business	241,197	116,216
	268,372	**142,743**

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

12 TAXATION CHARGE (continued)

(c) Taxation payable/(recoverable)

	2013 Kshs '000	2012 Kshs '000
At 1 January	164,661	(15,795)
Charge for the year	384,695	429,367
Prior year over provision	(136,756)	-
Paid in the year	(371,468)	(248,911)
At 31 December	**41,132**	**164,661**
Attributable to:		
Long term business	-	-
Short term business	41,132	164,661
	41,132	**164,661**

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.

	2013	2012
Profit attributable to shareholders (Sh'000)	3,000,431	2,801,892
Weighted average number of ordinary shares in issue	699,949	699,949
Basic and diluted earnings per share (Sh)	4.29	4.00

There were no potentially dilutive shares outstanding at 31 December 2013 and 2012. The diluted earnings per share is therefore the same as the basic earnings per share.

14 DIVIDENDS

The directors propose the payment of a first and final dividend of Ksh 0.60 (2012 – Ksh 0.40) per share totalling to Kshs 420 million in respect of the year ended 31 December 2013 (2012 – Kshs 280 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:

	2013 Kshs '000	2012 Kshs '000
At 1 January	-	-
Dividend declared	279,980	210,000
Dividends paid	(279,980)	(210,000)
At 31 December	-	-
Proposed cash dividend per share (Ksh)	0.60	0.40

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

15 INVESTMENT PROPERTIES

	Long term Business Kshs '000	Short term Business Kshs '000	Total 2013 Kshs '000	Total 2012 Kshs '000
At fair value				
At 1 January	1,050,000	4,885,000	5,935,000	5,365,000
Additions	8,758	73,654	82,412	46,992
Fair value gain	86,242	355,346	441,588	523,008
At 31 December	**1,145,000**	**5,314,000**	**6,459,000**	**5,935,000**

(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 2013. The basis of valuation was open market value, based on the highest and best use of the properties.

16 PROPERTY AND EQUIPMENT

	Motor vehicles Kshs '000	Computers Kshs '000	Furniture & equipment Kshs '000	Total Kshs '000
Cost or valuation				
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**
At 1 January 2013	8,017	29,976	82,112	120,105
Additions	3,223	44,494	7,665	55,382
At 31 December 2013	**11,240**	**74,470**	**89,777**	**175,487**
COMPRISING				
Cost	9,440	51,160	81,986	142,586
Valuation - 2008	1,800	-	-	1,800
Valuation – 2011	-	23,310	7,791	31,101
	11,240	**74,470**	**89,777**	**175,487**
Depreciation				
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
At 1 January 2013	5,297	13,145	21,152	39,594
Charge for the year	2,218	10,460	10,341	23,019
At 31 December 2013	7,515	23,605	31,493	62,613
Net book value				
At 31 December 2013	3,725	50,865	58,284	112,874
At 31 December 2012	2,720	16,831	60,960	80,511
Net book value at cost				
At 31 December 2013	3,725	40,881	54,197	98,803
At 31 December 2012	2,721	1,526	55,021	59,268

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2013

17 INTANGIBLE ASSETS

	Intangible Assets	Capital WIP	Total
Cost			
At 1 January 2012	48,908	-	48,908
Additions	-	-	-
At 31 December 2012	48,908	-	48,908
At 1 January 2013	48,908	-	48,908
Additions	5,508	59,879	65,387
Write-off	(13,813)	-	(13,813)
At 31 December 2013	40,603	59,879	100,482
Amortisation			
At 1 January 2012	38,436	-	38,436
Charge for the year	7,868	-	7,868
At 31 December 2012	46,304	-	46,304
At 1 January 2013	46,304	-	46,304
Charge for the year	3,407	-	3,407
Write-off	(13,813)	-	(13,813)
At 31 December 2013	35,898	-	35,898
Net book value			
At 31 December 2013	4,705	59,879	64,584
At 31 December 2012	2,604	-	2,604

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

18 INVESTMENT IN ASSOCIATE

	2013 Kshs '000	2012 Kshs '000
At 1 January	1,340,048	1,133,445
Share of profit for the year	257,000	205,934
Less dividends received	(41,982)	(31,080)
	1,555,066	**1,308,299**
Share of revaluation reserve	10	2,180
Share of fair value reserve	44,886	13,812
Currency translation adjustment	52,978	15,757
	97,874	31,749
At 31 December	**1,652,940**	**1,340,048**

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

18 INVESTMENT IN ASSOCIATE (continued)

Summary financial information for ZEP-Re

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

	2013 Kshs '000	2012 Kshs '000
Closing rate	86.31	86.03
Average rate	86.13	84.52
Ownership	18.11%	20.73%

During 2013, 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.

Total assets	17,421,044	13,256,007
Total liabilities	(8,295,621)	(6,479,118)
Net assets	9,125,423	6,776,889
Corporation's share of net assets of associate	1,652,940	1,340,048
Profit before taxation	1,325,989	987,370
Share of profit for the year	257,000	205,934
Less: dividends received	(41,982)	(31,080)
Corporation's share of associate's profit	215,018	174,854

During the year, a dividend of Kshs 41,981,573 (2012 – Kshs 31,080,449) 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 %.

	2013 Kshs '000	2012 Kshs '000
The net deferred taxation asset is attributable to the following items:		
Deferred tax assets:		
Excess depreciation over capital allowances	4,612	14,565
Leave pay provision	6,259	5,777
Defined benefit liability	-	28,857
Unrealised exchange loss	10,559	1,571
Bad debts provisions	578,657	586,463
	600,087	**637,233**
Deferred tax liabilities:		
Revaluation surplus – property and equipment	(3,098)	(5,249)
Unrealised exchange gain	-	(17,275)
Defined benefit asset	(2,713)	-
Net deferred taxation asset	**594,276**	**614,709**

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

19 DEFERRED TAXATION ASSET (continued)

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

	2013 Kshs '000	2012 Kshs '000
At 1 January	(614,709)	(330,551)
Charge/(credit) for the year (note 12)	22,281	(286,033)
Prior year under provision	(1,848)	(591)
	20,433	**(286,624)**
Effect of change in tax rate from 20% to 30% on deferred tax on revaluation surplus	-	2,466
At 31 December	**(594,276)**	**(614,709)**

20 DEFERRED ACQUISITION COSTS

	2013 Kshs '000	2012 Kshs '000
At 1 January	761,158	626,597
Movement in the year	199,661	134,561
At 31 December	**960,819**	**761,158**

21 UNQUOTED EQUITY INSTRUMENTS –AVAILABLE FOR SALE

	2013 Kshs '000	2012 Kshs '000
At cost		
At 1 January	89,971	89,971
Impairment charge	(30,006)	-
At 31 December	**59,965**	**89,971**
The investment in unquoted equity instruments is analysed as follows:		
International Development Bank (12% shareholding)	24,474	54,480
Africa Reinsurance Limited (0.2% shareholding)	35,491	35,491
Gross investment	**59,965**	**89,971**

22 INVENTORIES

	2013 Kshs '000	2012 Kshs '000
At 1 January	28,794	28,794

Inventories comprise property units for sale.

23 NON CURRENT ASSETS HELD FOR SALE

	2013 Kshs '000	2012 Kshs '000
At 1 January	40,032	536,858
Disposal	(11,934)	(146,826)
Provision for assets held for sale	-	(350,000)
At 31 December	**28,098**	**40,032**

The provision in 2012 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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

24 MORTGAGE LOANS

	2013 Kshs '000	2012 Kshs '000
Commercial mortgages	634,541	425,111
Staff mortgages	202,327	194,103
	836,868	**619,214**
Less: impairment provision	(102,412)	(97,675)
	734,456	**521,539**
Maturity analysis		
Within 1 year	61	8,941
Within 1 to 5 years	8,174	125,661
Over 5 years	726,221	386,937
	734,456	**521,539**

The weighted average effective interest rate on the mortgages was 14.93% (2012 – 10%).

25 RECEIVABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

	Long term Business Kshs '000	Short term Business Kshs '000	Total 2013 Kshs '000	Total 2012 Kshs '000
Local companies	126,753	1,059,435	1,186,188	756,252
International companies	-	2,123,139	2,123,139	2,033,937
	126,753	3,182,574	3,309,327	2,790,189
Less: impairment provision	-	(1,306,371)	(1,306,371)	(1,271,687)
	126,753	**1,876,203**	**2,002,956**	**1,518,502**

26 PREMIUM AND LOSS RESERVES

	2013	2012
International companies	735,334	718,152
Local companies	48,215	161,520
Provision for impaired balances	(589,494)	(589,494)
	194,055	**290,178**

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

	2013	2012
Staff advances	45,062	28,607
Prepayments	1,105	1,646
Rental receivables	1,887	-
Dividends receivable	3,748	4,186
Due from the investment custodian	56,218	15,423
Other receivables	1,583	6,608
	109,603	**56,470**

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

28 CORPORATE BONDS

	2013 Kshs '000	2012 Kshs '000
Held to maturity		
Kenya Electricity Generating Company Limited	37,451	48,328
Consolidated Bank of Kenya Limited	104,395	105,642
	141,846	**153,970**

The effective interest rate on the corporate bond at 31 December 2013 was 12.5 % (2012 – 5.8%) The corporate bonds mature on 9 November 2019 and 30 July 2022.

29 QUOTED EQUITY INSTRUMENTS – AVAILABLE FOR SALE

	2013	2012
At fair value		
At 1 January	2,436,749	2,008,823
Fair value gain	732,270	779,704
Purchases during the year	158,320	75,272
Disposals during the year	(367,849)	(427,050)
At 31 December	**2,959,490**	**2,436,749**

30 GOVERNMENT SECURITIES

	Long term Business Kshs '000	Short term Business Kshs '000	Total 2013 Kshs '000	Total 2012 Kshs '000
Held to maturity				
Maturing:				
- Within 3 months	31,744	153,892	185,636	181,280
- Within 4 to 12 months	108,973	528,297	637,270	306,282
- Within 1 to 5 years	71,250	345,414	416,664	509,881
- Over 5 years	755,613	5,698,771	6,454,384	4,461,675
At 31 December	**967,580**	**6,726,374**	**7,693,954**	**5,459,118**

Treasury bonds amounting to Sh 1,263,850,000 (2012 – Sh 200,000,000) 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 11.61 % (2012 – 11.8%).

31 DEPOSITS WITH FINANCIAL INSTITUTIONS

	Long term Business Kshs '000	Short term Business Kshs '000	Total 2013 Kshs '000	Total 2012 Kshs '000
Held to maturity				
Deposits maturing within 3 months	3,054,481	1,162,521	4,217,002	4,217,389

The weighted average effective interest rate on deposits with financial institutions was 8% (2012 – 16%).

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

32 SHARE CAPITAL

	2013 Kshs '000	2012 Kshs '000
(i) Authorised: share capital		
800,000,000 ordinary shares of Sh 2.50 each	2,000,000	2,000,000

	Number of Shares	Share capital 2013 Kshs '000	2012 Kshs '000
(ii) Issued and fully paid			
At 1 January 2012 and 2013	600,000,000	1,749,873	1,500,000
Issue of Bonus Shares in 2012	99,949,068	-	249,873
At 31 December	**699,949,068**	**1,749,873**	**1,749,873**

33 RESERVES

Revaluation reserve

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

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

Fair value reserve

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

Translation reserve

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

Statutory reserve

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

Retained earnings

The retained earnings balance represents the amounts available for distribution to the shareholders of the Corporation, except for cumulative fair value gains on the Corporation's investment properties amounting to Kshs 4,516,517,259 (2012: Kshs 4,074,929,259) 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 are done upon the recommendation of the Actuary. The latest actuarial valuation of the life fund was carried out by Alexander Forbes Financial Services (EA) Limited, consulting actuaries as at 31 December 2013 and according to the valuation, the fund had a surplus of Kshs 3,096 million (2012 – Kshs 2,403 million).

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

34 LONG TERM REINSURANCE LIABILITIES (continued)

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 2013 is summarised as follows:

	2013 Kshs '000	2012 Kshs '000
Life fund	5,190,205	4,475,662
Less: actuarial value of policy holder liabilities	(2,094,357)	(2,073,032)
Statutory reserve	**3,095,848**	**2,402,630**

Valuation assumptions

The significant valuation assumptions for the actuarial valuation as at 31 December 2013 are summarised below. The same assumptions were used in 2012.

(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 2013 was 11.9% per annum (2012 – 11.9% per annum).

35 SHORT TERM INSURANCE CONTRACT LIABILITIES

	2013 Kshs '000	2012 Kshs '000
Short term insurance contract liabilities	3,702,715	3,049,991

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

Claims Development

Accident year	2009 Kshs '000	2010 Kshs '000	2011 Kshs '000	2012 Kshs '000	2013 Kshs '000	Total Kshs '000
Estimate of ultimate claims costs:						
At end of accident year	1,256,930	1,819,592	2,327,902	2,261,182	4,697,764	12,363,370
One year later	156,058	265,215	47,247	654,476	-	1,122,996
Two years later	43,670	11,810	295,497	-	-	350,977
Three years later	7,700	169,921	-	-	-	177,621
Four years later	56,611	-	-	-	-	56,611
Current estimate of cumulative claims	1,520,969	2,266,538	2,670,646	2,915,658	4,697,764	14,071,575
Less: cumulative payments to date	(1,449,357)	(2,096,618)	(2,375,149)	(2,261,182)	(2,186,554)	(10,368,860)
Total claims reported and claims handling expenses	71,612	169,920	295,497	654,476	2,511,210	3,702,715
Total gross claims liability included in the statement of financial position						3,702,715

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

36 UNEARNED PREMIUMS

	2013 Kshs '000	2012 Kshs '000
At 1 January	2,662,244	2,156,709
Increase in the year	620,441	505,535
At 31 December	**3,282,685**	**2,662,244**

37 PAYABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

	Long term Business Kshs '000	Short term Business Kshs '000	Total 2013 Kshs '000	Total 2012 Kshs '000
Local companies	121,719	322,030	443,749	164,480
International companies	-	258,163	258,163	544,965
	121,719	**580,193**	**701,912**	**709,445**

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.

	2013 Kshs '000	2012 Kshs '000 (restated)
The actuarial valuation results were as follows:		
Present value of funded obligations	474,539	441,693
Fair value of scheme assets	(483,583)	(417,964)
Net (asset)/liability in the statement of financial position	**(9,044)**	**23,729**
Movement in present value of funded obligation		
As at 1 January	441,693	418,741
Current service costs	3,767	7,959
Interest cost	55,064	54,944
Actuarial loss	14,874	(8,489)
Benefits payment	(40,859)	(31,462)
At 31 December	**474,539**	**441,693**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2013

38 RETIREMENT BENEFIT OBLIGATION (continued)

a) Defined Benefit Scheme (continued)

	2013 Kshs '000	2012 Kshs '000 (restated)
Movement in fair value of assets		
As at 1 January	417,964	328,380
Expected return on assets	54,635	45,104
Actuarial gain	10,243	34,257
Employer contributions	41,600	41,600
Benefit payments	(40,859)	(31,462)
Prior year adjustments	-	85
At 31 December	**483,583**	**417,964**
Movement in net liability		
As at 1 January	23,729	118,560
Net expense recognised in profit or loss	2,679	19,230
Net charge/(credit) recognised in other comprehensive income	6,148	-
Actuarial gains previously recognized (note 43)	-	(72,461)
Employer contributions	(41,600)	(41,600)
At 31 December	**(9,044)**	**23,729**
Amount recognised in profit or loss:		
Current service cost net of employees' contributions	2,250	7,959
Interest on obligation	429	11,356
Prior year adjustments	-	(85)
Total included in "staff costs" in respect of scheme	**2,679**	**19,230**
Amount recognised in other comprehensive income:		
Actuarial gains and losses	14,874	(36,688)
Actuarial gains previously recognised	-	28,199
Return on plan assets	(8,726)	(35,773)
Total credit to other comprehensive income	**6,148**	**(44,262)**
Actual return on plan assets	**64,878**	**76,015**

Actuarial assumptions	**2013**	**2012**
Discount rate (% p.a.)	12.18%	13.01%
Expected return on Scheme assets (% p.a.)	10%	10%
Future salary increases (% p.a.)	5%	5%
Future pension increases (% p.a.)	3%	3%

	2013 Kshs '000	2012 Kshs '000	2011 Kshs '000	2010 Kshs '000
Historical information				
Fair value of plan assets	483,583	417,964	328,380	351,725
Present value of funded obligations	(474,539)	(441,693)	(418,741)	(523,976)
Net over/(under) funding in the scheme	9,044	(23,729)	(90,361)	(172,251)
Unrecognised actuarial (gain)/loss	-	-	-	34,500
Defined benefit liability	**9,044**	**(23,729)**	**(90,361)**	**(137,751)**

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 2013, the Corporation contributed Sh 20,398,878 (2012 – Sh 16,724,527) to the defined contribution pension scheme and Sh 239,800 (2012 – Sh 224,000) for NSSF which has been charged to the profit or loss.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

39 OTHER PAYABLES

	2013 Kshs '000	2012 Kshs '000
Purchasers deposits	5,319	19,753
Legal fees deposits	15,864	17,929
Rental deposits	68,158	63,073
Accrued leave pay	20,863	19,256
Taxation arrears	139,733	117,687
Accounts payable	213,630	142,636
Other creditors and accruals	13,837	38,905
	477,404	**419,239**

40 NOTES TO THE STATEMENT OF CASH FLOWS

	2013 Kshs '000	2012 Kshs '000 (restated)
Profit before taxation	**3,268,803**	**2,944,635**
Adjustment for:		
Depreciation (note 16)	23,019	18,901
Interest on corporate bonds	(18,425)	(11,567)
Interest on government securities	(843,826)	(520,185)
Amortisation of software (note 17)	3,407	7,868
Reclassification from equity of accumulated fair value gain on available-for-sale equity instruments	(307,681)	(314,209)
Gain on disposal of available-for-sale quoted equity instruments	(73,611)	(108,785)
Profit on sale of non current asset held for sale	3,757	(310,271)
Fair value gain on investment properties (note 15)	(441,588)	(523,008)
Share of profit of associate (note 18)	(257,000)	(205,934)
Operating profit before working capital changes	**1,356,855**	**977,445**
Working capital changes:		
Mortgage loans	(212,917)	(201,465)
Receivables arising out of reinsurance arrangements	(484,454)	(269,527)
Premium and loss reserves	96,123	47,494
Other receivables	(53,133)	(13,689)
Deferred acquisition costs	(199,661)	(134,561)
Long term reinsurance contract liabilities	21,325	(212,677)
Short term reinsurance contract liabilities	652,724	676,369
Unearned premiums	620,441	505,535
Payables arising out of reinsurance arrangements	(7,533)	314,890
Defined benefit liability	(32,773)	(22,370)
Other payables	58,165	178,438
Purchase of Government securities	(2,564,424)	(2,598,516)
Proceeds on maturity of Government securities	389,950	537,200
Purchase of quoted equity instruments (note 29)	(158,320)	(75,272)
Proceeds on sale of quoted equity instruments	367,710	535,835
Impairment charge on unquoted equity instruments	30,006	-
Proceeds on disposal of corporate bond	11,850	-
Proceeds on disposal of non current asset held for sale	15,691	411,300
Purchase of corporate bond	-	(100,000)
Net cash (used in)/generated from operations	**(92,375)**	**556,429**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2013

41 CASH AND CASH EQUIVALENTS

	2013 Kshs '000	2012 Kshs '000
Deposits with financial institutions maturing within 3 months	4,217,002	4,217,389
Cash and bank balances	198,831	241,215
	4,415,833	**4,458,604**

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:

	2013 Kshs '000	2012 Kshs '000
a) Transactions and balances with directors and staff		
(i) Directors' remuneration		
Fees	4,476	2,940
Other emoluments	12,315	14,710
	16,791	**17,650**
(ii) Key management remuneration		
Salaries and other short term benefits	55,066	48,979
(iii)Loans to staff	245,653	222,772

Interest income on these loans was Kshs 10,044,951 (2012 – Kshs 9,585,354). The effective interest on the loans is 5 % (2012 – 5%). Staff mortgages and car loans are secured by way of charging the related property to the Corporation.

(iv)Loans to directors		
Included in commercial mortgages (note 24)	3,486	4,265

Interest earned on these loans was Kshs 278,730 (2012 – Kshs 301,758). The effective interest rate on the loans is 5% (2012 - 5%). Loans to directors are secured by mortgages on the property purchased.

	2013 Kshs '000	2012 Kshs '000
b) Transaction with associate company, ZEP Re		
(i) Net premium written	189,585	33,476
(ii) Claims incurred	58,916	28,031

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

(iii) Outstanding balances with related parties in respect of underwriting business:		
Amounts due from related parties	79,965	72,629
Amounts due to related parties	27,963	53,439

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

43 PRIOR YEAR ADJUSTMENTS

The prior year adjustment relates to the recognition of unrecognised actuarial gains in line with the requirements of the revised IAS 19 on Employee Benefits.

a) Restatement of Audited Statement of Comprehensive Income for the year ended 31 December 2011

	As previously reported 2011 Kshs '000	Prior year adjustment 2011 Kshs '000	Restated 2011 Kshs '000
Defined benefit actuarial gains	-	(28,199)	(28,199)

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

	As previously reported 2011 Kshs '000	Prior year adjustment 2011 Kshs '000	Restated 2011 Kshs '000
Defined benefit actuarial gains	-	(44,262)	(44,262)

c) Restatement of Audited Statement of Financial position

Equity & Liabilities

	As previously reported 2011 Kshs '000	Prior year adjustment 2011 Kshs '000	Restated 2011 Kshs '000
As at 1 January 2012			
Defined benefit liability	(118,560)	28,199	(90,361)
Retained earnings	(7,608,624)	(28,199)	(7,636,823)
As at 1 January 2013			
Defined benefit liability	(96,190)	72,461	(23,729)
Retained earnings	(9,000,098)	(72,461)	(9,072,559)

44 CONTINGENT LIABILITIES

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

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

Out of the total assessment of Sh 258 million, management made payments of Kshs103 million in the year. The remaining amount of Kshs 156 million is the subject of ongoing discussions with the KRA to establish KRA's basis for the assessment. A provision of Kshs139 million has been made in these financial statements relating to the outstanding assessment.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

44 CONTINGENT LIABILITIES (continued)

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

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

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

45 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%.

46 CURRENCY

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

SHORT TERM BUSINESS REVENUE ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 2013

Appendix I

	Aviation	Engineering	Fire Domestic	Fire Industrial	Liability	Marine	Motor Private	Motor Commercial	Personal Accident	Theft	Workmen Compensation	Medical	Misc.	Total	2012
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Gross premium	10,152	646,102	4,467	3,078,523	120,851	658,683	15,210	447,193	799,336	632,155	1,297	1,449,857	691,466	8,555,292	6,891,600
Unearned premiums b/f	2,699	277,362	1,607	946,130	33,398	201,992	4,809	156,858	211,270	232,219	405	449,630	143,865	2,662,244	2,156,711
Unearned premiums c/f	4,061	258,441	1,787	1,110,143	48,340	263,473	6,084	178,877	319,734	252,862	519	579,943	258,422	3,282,686	2,662,244
Movement in unearned premium	(1,362)	18,921	(180)	(164,013)	(14,942)	(61,481)	(1,275)	(22,019)	(108,464)	(20,643)	(114)	(130,313)	(114,557)	(620,442)	(505,533)
Earned premiums	**8,790**	**665,023**	**4,287**	**2,914,510**	**105,909**	**597,202**	**13,935**	**425,174**	**690,872**	**611,512**	**1,183**	**1,319,544**	**576,909**	**7,934,850**	**6,386,067**
Less: Retrocession premiums	-	-	-	303,164	-	-	-	-	-	-	-	-	45,415	348,579	235,990
Net earned premiums	**8,790**	**665,023**	**4,287**	**2,611,346**	**105,909**	**597,202**	**13,935**	**425,174**	**690,872**	**611,512**	**1,183**	**1,319,544**	**531,494**	**7,586,271**	**6,150,077**
Claims paid	1,912	141,080	183	1,348,630	20,219	244,477	3,441	248,988	415,099	509,503	429	1,021,287	196,986	4,152,234	3,292,939
Claims recoverable	-	-	-	(498,482)	-	-	-	-	-	-	-	-	-	(498,482)	(159,999)
Claims reserves															
- beg of year	(6,914)	(178,204)	(654)	(1,209,092)	(36,977)	(237,869)	(9,408)	(336,112)	(287,939)	(215,374)	(2,807)	(383,153)	(145,487)	(3,049,990)	(2,373,622)
- end of year	7,633	186,590	785	1,380,445	44,294	226,012	11,689	366,795	412,349	243,537	3,058	629,102	190,426	3,702,715	3,049,991
Net claims incurred	**2,631**	**149,466**	**314**	**1,021,501**	**27,536**	**232,620**	**5,722**	**279,671**	**539,509**	**537,666**	**680**	**1,267,236**	**241,925**	**4,306,477**	**3,809,309**
Commissions	1,104	225,525	1,423	868,365	26,211	175,368	(132)	44,628	178,554	208,528	299	305,388	167,435	2,202,696	1,769,517
Commissions receivable	-	-	-	-	-	-	-	-	-	-	-	-	(309)	(309)	(1,182)
Provision for bad debts	197	12,509	86	59,604	2,340	12,753	294	8,658	15,476	12,239	25	28,071	8,652	160,904	466,919
Management expenses	964	61,331	424	292,227	11,472	62,525	1,444	42,450	75,876	60,007	123	137,627	67,479	813,949	646,068
Total expenses	**4,896**	**448,831**	**2,247**	**2,241,697**	**67,559**	**483,266**	**7,328**	**375,407**	**809,415**	**818,440**	**1,127**	**1,738,322**	**485,182**	**7,483,717**	**6,690,631**
Underwriting profit/(loss)	**3,894**	**216,192**	**2,040**	**369,649**	**38,350**	**113,936**	**6,607**	**49,767**	**(118,543)**	**(206,928)**	**56**	**(418,778)**	**46,312**	**102,554**	**(540,554)**

This short term business revenue account was approved by the Board of Directors on 28 April 2014 and was signed on its behalf by:

....	....	....
Principal Officer	Chairman	Director

KENYA RE

LONG TERM BUSINESS REVENUE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2013

Appendix II

	Ordinary Kshs '000	Super Annuation Kshs '000	2013 Kshs '000	2012 Kshs '000
Gross earned premiums	146,053	943,806	1,089,859	1,052,583
Less: Retrocession premiums	(10,063)	(84,237)	(94,300)	(148,345)
Net earned premium	**135,990**	**859,569**	**995,559**	**904,238**
Net claims incurred	10,798	384,570	395,368	464,945
Decrease in actuarial liability	28,128	(6,803)	21,325	(212,677)
Net commissions	48,136	216,471	264,607	203,326
Management expenses	26,106	174,713	200,819	112,835
	113,168	**768,951**	**882,119**	**568,429**
Underwriting surplus	22,822	90,618	133,440	335,809
Fair value gains	11,211	75,031	86,242	80,771
Investment income	67,692	453,019	520,711	555,471
Increase in life funds	**101,725**	**618,668**	**720,393**	**972,051**

The long term business revenue account was approved by the board of directors on 28 April 2014 and was signed on its behalf by:

....	....	....
Principal Officer	Chairman	Director

PROXY FORM

Shareholder / Member No. ______________________

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

I/WE ______________________ of ______________________

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

______________________ of ______________________

or failing him/her ______________________ of ______________________

as *my/our proxy to vote for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held at the Kasarani Stadium Gymnasium, off-Thika Superhighway, Nairobi, on Friday, 13th June 2014 at 11.00 a.m., and at any adjournment thereof.

Signature(s)

Signed this ______________________ day of ______________________ 2014.

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 13th June 2014

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 **Kasarani Stadium Gymnasium, off-Thika Superhighway, Nairobi,** on Friday, 13th June 2014 at 11.00 a.m.

FOMU YA UWAKILISHI

Nambari ya Mwenyehisa / Mwanachama ____________________

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

Mimi/ Sisi ______________________________ wa ____________________

nikiwa mwanachama/wanachama wa KENYA REINSURANCE CORPORATION LIMITED, (ni) tunamteua

______________________________ wa ____________________

asipofika namteua ______________________________ wa ____________________

kama mwakilishi wangu/wetu ili apige kura kwa niaba yangu/yetu katika Mkutano Mkuu wa Mwaka wa Kampuni utakaofanyika katika ukumbi wa Kasarani Stadium Gymnasium, mkabala na barabara ya Thika Superhighway, Nairobi, siku ya Ijumaa, mnamo tarehe 13, Juni 2014 kuanzia saa tano (5.00) asubuhi, na siku nyingine endapo mkutano huo utaahirishwa.

Sahihi ______________________________

Ilitiwa Sahihi ____________________ siku ya ______________ Mwaka wa 2014.

Fomu hii ni ya kutumiwa kwa lengo la ama dhidi ya azimio la kupiga kura. Ama mpaka ielekezwe vinginevyo, mwakilishi atapiga kura kama anavyoona ikiwa sawa kwake.

* Ondoa kisichohitajika ama kisichofaa.

Maelezo:
1. Anuwani inafaa kuwa ile iliyotumika kwenye sajili ya wanachama.
2. Itakapotokea kuwa Mwanachama ni Shirika, basi fomu hii ya uwakilishi ni lazima ipigwe mhuri ama kutiwa sahihi na wakili au afisa wa shirika aliyeidhinishwakufanya hivyo kwa niaba ya shirika hilo.
3. Mtu aliyeteuliwa kuwa muwakilishi sio lazima awe mwanachama wa kampuni hiyo.
4. Ikiwa ni wanachama walio na ubia, sahihi ya mmoja wao itakubalika lakini majina ya wanachama wote wawili ni lazima yaandikishwe.

Barua ya Kumuidhinisha Mwenyehisa kwenye Mkutano Mkuu wa Mwaka, mnamo tarehe 13, Juni 2014.

Tafadhali kamilisha fomu hii na fahamu kwamba ni lazima uionyeshe ama mwakilishi wako aionyeshe katika Mkutano Mkuu wa Mwaka ili kunakilishwa kama umehudhuria mkutano. Tafadhali fahamu ya kwamba ni mwenyehisa au muwakilishi wake pekee aliye ama waliofahamishwa na Kampuni sio chini ya saa 48 kabla ya muda maalum wa mkutano huo watakaoruhusiwa kuingia humo.

Jina: ______________________________ Sahihi: ____________________

Mkutano Mkuu wa Mwaka wa Kenya Reinsurance Corporation Limited utakaofanyika katika **Kasarani Stadium Gymnasium, mkabala na barabara ya Thika Superhighway, Nairobi,** mnamo siku ya Ijumaa, tarehe 13, Juni 2014 kuanzia saa tano (5.00) asubuhi.

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KCB Moi Avenue Branch
Account Number: 1132291917
MPesa Account Number 505601

KENYA RE
STRENGTH & WISDOM BEYOND BORDERS

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