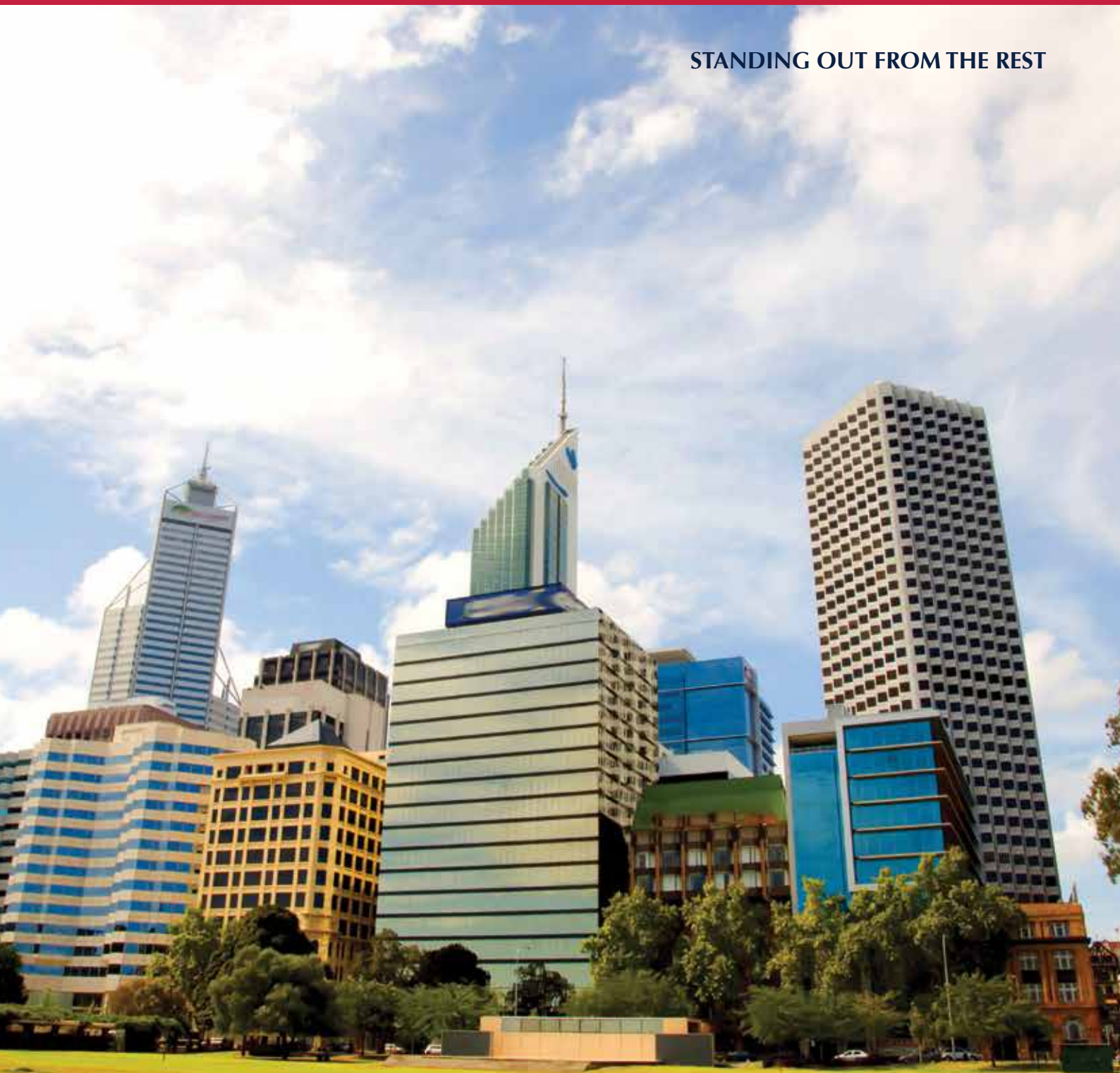




2015 ANNUAL REPORT

STANDING OUT FROM THE REST



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
-

Group information	4
Five Year Performance Analysis	5
Notice of the 2015 Annual General Meeting	6
Ilani ya Mkutano Mkuu Wa Mkwaka wa 2015	7
Board of Directors	8 - 9
Directors' Profiles	10 - 11
Chairman's Statement	12 - 13
Ripoti Ya Mwenyekiti	14 - 15
Report of the directors	16
Statement of directors' responsibilities	17
Managing Director's Statement	18 - 21
Taarifa Ya Mkurugenzi Mkuu	22 - 25
Statement on Corporate Governance	26 - 28
Management Team Profiles	29
Actuary's Certificate	30
Report of the Auditor General	31 - 32
Afisi Ya Ukaguzi Wa Kitaifa Nchini Kenya	33
Corporate Social Responsibility	34
Financial statements:	
Statements of profit or loss and other comprehensive income	35 - 36
Statements of financial position	37 - 38
Statements of changes in equity	39 - 40
Statements of cash flows	41 - 42
Notes to the financial statements	43 - 95
Appendix I Short Term Business Revenue Account	96
Appendix II Long Term Business Revenue Account	97
Proxy Form	99
Fomu Ya Uwakilishi	100

GROUP INFORMATION

KENYA REINSURANCE CORPORATION LTD

2015 ANNUAL REPORT & FINANCIAL STATEMENT

DIRECTORS

David Kemei	- Chairman Elected on 3 July 2015
Jadiah Mwarania	- Managing Director
Henry Rotich	- Cabinet Secretary, National Treasury
Chiboli Shakaba	
Everest Lenjo	
Felix Okatch	
Maina Mukoma	
Dr. Lumbi M'Nabea	
Priscilla Mwangi	
Jennifer Karina	- Elected on 26 June 2015
Felistas Ngatuny	- Elected on 26 June 2015
Gladys Mboya	- Retired on 26 June 2015
Nelius Kariuki	- Retired on 26 June 2015

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

REGISTERED OFFICE

Reinsurance Plaza

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

SUBSIDIARY

Kenya Reinsurance Corporation Côte d'Ivoire

Imm. Verdier, Porte A13
 Abidjan-Plateau Côte d'Ivoire
 01 Bp 7539 Abidjan 01, Côte d'Ivoire

Kenya Reinsurance Corporation Zambia Ltd.

D.G Office Park, No. 1 Chila Road,
 Kabulonga, Lusaka.
 P.O. Box 30578 10101 Lusaka, Zambia.

AUDITORS

Auditor General

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

CONSULTING ACTUARIES

Alexander Forbes Financial Services (East Africa) Limited

10th Floor, Landmark Plaza
 Argwings Kodhek Road
 P O Box 52439 - 00200 City Square
 Nairobi, Kenya

Actuarial Services (East Africa) Limited

10th Floor Victoria Towers
 Kilimanjaro Avenue, Upper hill
 P O Box 10472 – 00100 GPO
 Nairobi, Kenya

SHARE REGISTRARS

Image Registrars Limited

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

ADVOCATES

Mose, Mose Milimo & Company Advocates

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

M.A. Otega & Company Advocates

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

Kaplan & Stratton Advocates

Williamson House
 4th Ngong Avenue
 P O Box 40111 – 00100
 Nairobi, Kenya

BANKERS

Kenya Commercial Bank Limited

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

Citibank NA

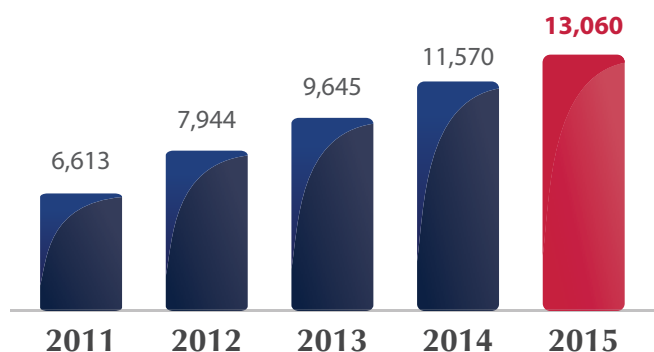
Citibank House, Upper Hill
 P.O Box 3071 - 00100
 Nairobi, Kenya

Bank of Africa

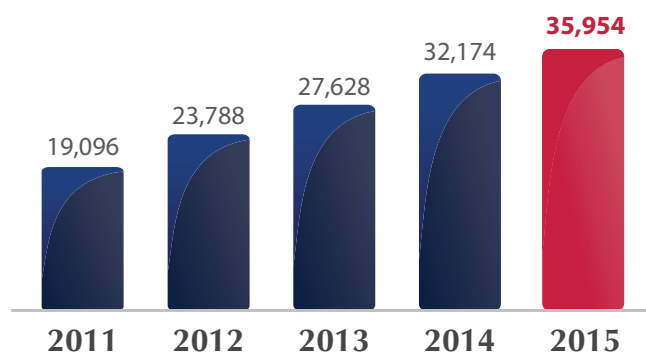
Residence Verdier A13 1ER ET

01 BP 7539 Abidjan 01
 Plateau, Cote d'Ivoire

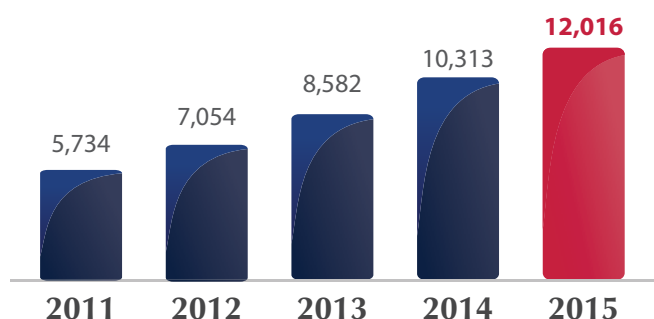
Gross Premiums Written in Ksh Millions



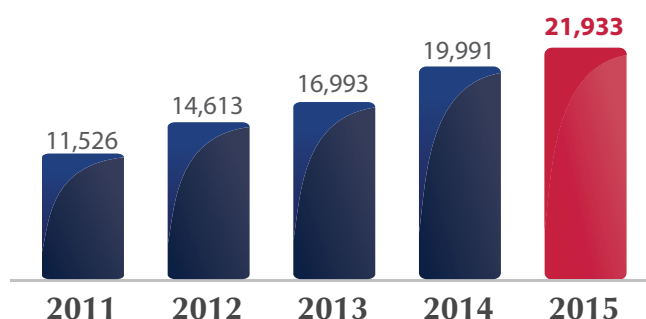
Total Assets in Ksh Millions



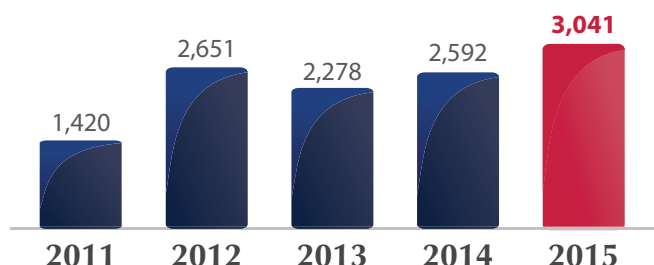
Net Earned Premiums in Ksh Millions



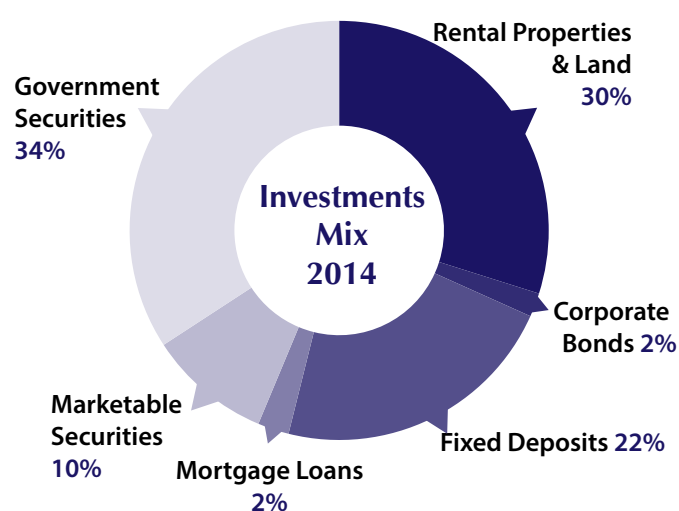
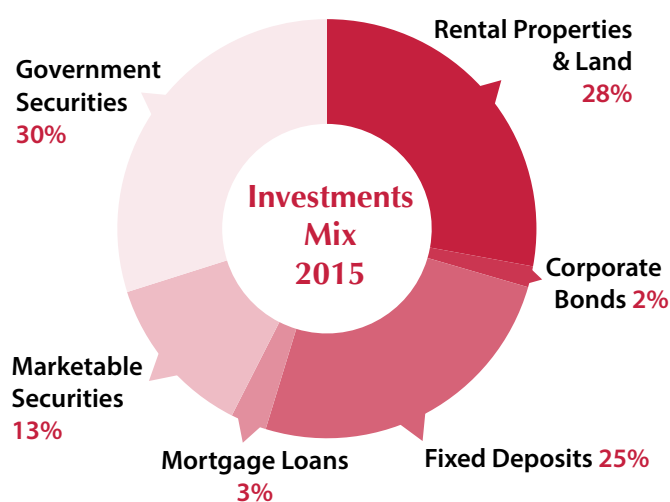
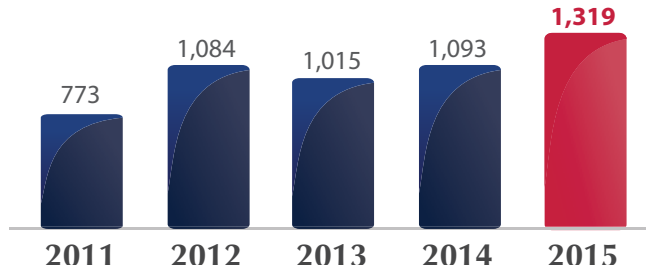
Share Holder's Funds in Ksh Millions



Investment Income in Ksh Millions



Operating and Other Expenses in Ksh Millions



NOTICE OF THE ANNUAL GENERAL MEETING

KENYA REINSURANCE CORPORATION LTD

2015 ANNUAL REPORT & FINANCIAL STATEMENT

Notice is hereby given that the 18th ANNUAL GENERAL MEETING OF KENYA REINSURANCE CORPORATION LIMITED will be held at the Kenyatta International Convention Centre, City Hall Way, Nairobi, on Friday, 17th June 2016 at 11.00 a.m. when the following business will be transacted, namely:

AGENDA

1. Constitution of the Meeting - To read the notice convening the Meeting and determine if a quorum is present.
2. To receive, consider and, if approved, adopt the Corporation's audited Financial Statements for the year ended 31st December 2015 together with the Chairman's, Directors' and Auditors' Reports thereon.
3. To approve payment of a first and final dividend of KShs 0.75 per share for the financial year ended 31st December 2015 to the shareholders registered in our books as at 17th June 2016 on or about 29th July 2016, as recommended by the Board, and approve the closure of the Register of Members on 20th June 2015.
4. Election of Directors:
In accordance with Article 110 of the Corporation's Articles of Association, the following Directors retire by rotation and, being eligible, offer themselves for re-election:
 - i. Mr. Everest Lenjo,
 - ii. Mrs Priscilla Mwangi,
 - iii. Dr. Lumbi Wa M'Nabea
5. To note and approve the Directors' remuneration for the period ended 31st December 2015.
6. Auditors
To note that the audit of the Corporation's books of accounts will continue to be undertaken by the Office of the Auditor-General or an audit firm appointed by him in accordance with Section 14 of the State Corporations Act and Section 23 of the Public Audit Act 2015.
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

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 15th June 2016 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 inatolewa kuwa MKUTANO MKUU WA MWAKA WA 18 WA KENYA REINSURANCE CORPORATION LIMITED utafanyika kwenye jumba la Kenyatta International Convention Centre, City Hall Way, Nairobi, mnamo Ijumaa tarehe 17, Juni 2016 saa 5.00 asubuhi. Wakati ambapo shughuli zifuatazo zitaendeshwa:

AJENDA

1. Katiba ya Mkutano - Kusoma ilani ya kuitisha Mkutano na kuamua kama kuna kiwango kinachofaa cha mahudhurio.
2. Kupokea, kuzingatia na, iwapo itaidhinishwa, kutumia Taarifa za Kifedha zilizokaguliwa za Shirika kwa mwaka uliomalizikia tarehe 31 Desemba 2015 pamoja na Ripoti za Mwenyekiti, Wakurugenzi na Wakaguzi wa Fedha zilizopo.
3. Ili kuidhinisha malipo ya mgao wa kwanza na wa mwisho wa KShs 0.75 kwa hisa kwa mwaka wa kifedha unaoisha Disemba 31 2015 kwa washikadau waliosajiliwa katika vitabu vyetu kufikia Juni 17 2016 mnamo au karibu Julai 29 2016, kama ilivyopendekezwa na Bodi, na kuidhinishwa ufungaji wa Usajili wa Wanachama mnamo Juni 20 2015.
4. Uchaguzi wa Wakurugenzi:
Kulingana na Ibara ya 110 ya Sheria za Chama za Shirika, Wakurugenzi wafuatao hustaafu baada ya muda, kwa kustahiki kwao, wao hujitolea kuwania tena kiti hicho.
 - i. Bw. Everest Lenjo,
 - ii. Bi. Priscilla Mwangi,
 - iii. Dkt. Lumbi Wa M'Nabea
5. Kutambua na kuidhinisha mishahara ya Wakurugenzi kwa kipindi kilichokamilika tarehe 31 Desemba 2015.
6. Akaguzi wa fedha
Ili kukumbuka kuwa ukaguzi wa vitabu vya akaunti vya Shirika vitaendelea kuchukuliwa na Msimamizi na Mhariri Mkuu au kampuni ya uhariri iliyoteuliwa naye kwa uzingatiaji wa Sehemu ya 14 ya Sheria ya Mashirika ya Kitaifa na Sehemu ya 23 ya Sheria ya Uhariri wa Umma 2015.
7. Kuidhinisha Wakurugenzi kurekisha mishahara ya Wakaguzi wa Fedha.
8. Kufanya shughuli zozote za biashara kulingana na ilani ya makataa ambayo imepokewa.

Kwa Agizo la Bodi

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

MADOKEZO:

1. Mwanachama ana haki ya kuhudhuria na kupiga kura katika mkutano na asiye na uwezo wa kuhudhuria ana haki ya kuteua wakala kuhudhuria na kupiga kura kwa niaba yake. Wakala hafai kuwa mwanachama wa kampuni. Ili kuwa halali, fomu ya wakala iliyoambatishwa kwenye Ripoti hii ya Mwaka au iliyopakuliwa kutoka kwenye tovuti ya Shirika ya (www.kenyare.co.ke), lazima ikamilishwe vilivyo na kutiwa sahihi na mwanachama na upeanwe katika afisi zilizosajiliwa za Wasajili wa Hisa za Shirika, M/s. Image Registrars Limited, Barclays Plaza, 5th Floor, Loita Street, na ya S.L.P 9287 – 00100 GPO, Nairobi au kutumwa kwenye posta kwa anwani ya barua, ili ifikiie Bi. Image Registrars Limited, kabla ya tarehe 15 Juni 2016 saa 5 asubuhi.
2. Mwanachama yeyote anaweza kwa ilani kutia sahihi kihalali na kuwasilishwa kwa Katibu wa Shirika katika anwani iliyo hapo juu, sio chini ya siku saba (7) na sio zaidi ya siku ishirini na moja (21) kabla ya tarehe iliyoteuliwa ya Mkutano Mkuu wa Kila mwaka kutoa ilani ya fikira zake za kupendekeza mtu mwingine yeyote kwa uchaguzi kwa Bodi, ilani hiyo inafaa kujumuisha ilani iliyotiwa sahihi na mtu aliyependekezwa kwa hiari yake kuchaguliwa. Mtu aliyependekezwa hafai kuwa mwanachama wa Kampuni.
3. Nakala za Mkataba kamili na Makala ya Chama ya Shirika zinapatikana kwa ajili ya ukaguzi kwenye tovuti ya Shirika ya (www.kenyare.co.ke) na pia katika Afisi zilizosajiliwa za kampuni 15th Floor, Reinsurance Plaza, Taifa Road, Nairobi.

**Standing left to right:**

Felistas Ngatuny - Non- Executive Director, Everest Lenjo - Non- Executive Director, Chiboli Shakaba - Non- Executive Director & Maina Mukoma - Non- Executive Director

Sitted left to right:

Jennifer Karina - Non- Executive Director, David Kemei - Chairman

**Standing left to right:**

*Protus Sigei - Alternate to Cabinet Secretary, National Treasury,
Felix O. Okatch - Non- Executive Director , Priscilla Mwangi - Non- Executive Director*

Sitted left to right:

Jadiah M. Mwarania - Managing Director , Dr. Lumbi Wa M'nabea - Non-Executive Director

Not in Picture

*Henry K. Rotich
Cabinet Secretary, National
Treasury & Non-Executive Director*

**DAVID KEMEI - Chairman** 1

Mr. Kemei holds a Bachelor of Commerce Degree in Accounting and a Master of Business Administration both from the University of Nairobi. He is a Certified Public Accountant (CPA (K)) and a Certified Regulation Specialist. Mr. Kemei has over 25 years' experience in management and financial consultancy and has been a member of the Corporation's Board for 1 year. He is currently the Chief Executive Officer at DGMB Financial Services Ltd a position he has held since January 2008.

**JADIAH MWARANIA, - Managing Director** 2

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

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

He is a past long serving Chief Examiner of the Certificate of Proficiency examinations of the Kenya Institute of Insurance.

Mr. Mwarania is a holder of the Order of Grand Warrior (OGW).

**HENRY K ROTICH - Cabinet Secretary, National Treasury & Non-Executive Director** 3

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).

**JENNIFER KARINA - Non-Executive Director** 4

Mrs. Karina holds a Higher Diploma in Psychological Counselling from the Kenya Institute of Professional Counselling and Masters of Arts degree in Counselling Psychology from Durham University. She is currently pursuing a PhD in Educational Psychology at Kenyatta University. Mrs. Karina started her career in Dawa Pharmaceuticals Limited in 1977, then moved to Ljubljanska Bank East Africa Representative Office as Manager-Operations in 1982 where she worked for 17 years. She served as a director at Narika Company Limited between 1998-2012. Between 2005 -2014 she was the Managing Director of Anchor Consult. She is currently the Chief Commissioner of the Kenya Girl Guides Association a position she has held since 2013.

**EVEREST MATOLO LENJO - Non-Executive Director** 5

Mr. Lenjo holds a Bachelor's 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 - Non-Executive Director** 6

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

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

**PRISCILLA MUTHONI MWANGI - Non-Executive Director** 7

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

**DR. LUMBI WA M'NABEA - Non-Executive Director** 8

Dr. M'Nabea holds a BSc. degree in Public Health from Walden University and 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. He is the Chairman of the Board Risk and Compliance Committee.

**MAINA MUKOMA - Non-Executive Director** 9

Mr. Mukoma holds a Bachelor of Commerce degree (Accounting Option) from the University of Nairobi. He is an Associate of Chartered Insurance Institute of London, UK (ACII), Associate of Chartered Institute of Arbitrators, UK (ACIrb), and an Associate Member of the Kenya Institute of Management (AMKIM). He is an Insurance 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).

**CHIBOLI INDULI SHAKABA - Non-Executive Director** 10

Mr. Shakaba holds a Bachelor of Arts Degree in Political Science from the University of Nairobi and a Master's Degree in Public Administration (MPA) from Harvard University. He has served in different capacities in the public service starting in the Provincial Administration as a District Officer between 1980 and 86. He thereafter served in various ministries of the Central Government rising to the level of Director of Administration. He has also served as an Alternate Director in various State Corporations and is a member of the Institute of Directors of Kenya. He is a recipient of the Order of the Burning Spear (MBS). He was the Permanent Secretary in the Ministry of East African Community from April 2012 to June 2013.

**FELISTAS NGATUNY - Non-Executive Director** 11

Mrs. Ngatuny holds a Bachelors of Business Administration degree from Schiller International University and Masters in Business Administration from ESAMI. Mrs. Ngatuny started her career as an assistant lecturer at Kenya Utalii College in 1990 before moving to ESAMI in 1994 as the Kenya Country Director a position she held for 20 years. She is currently the Executive Director of May House Limited a position she has held since August 2014.



FOREWORD

It is my great honor to present my first statement to Shareholders as Chairman of Kenya Re. I wish to begin by expressing my sincere gratitude to my predecessor, Mrs. Nelius Kariuki who retired from the Board, after 9 years, at the AGM in June 2015. Her leadership during these years has transformed the Company and taken it to the forefront nationally and beyond our borders.

It is my pleasure today to present you year 2015 annual report and financial statements for Kenya Re. The Corporation's performance is on the rise despite a global slump in most of the world's economies.

BUSINESS ENVIRONMENT

2015 was a tough year on all fronts. The global economy had entered an era of low growth. Developed economies remained stagnant and emerging economies were slowing down. Interest rate hike in the United States, currency instability, as well as the reform in transition in China further clouded the global economic outlook.

Kenya experienced a heightened wave of terrorism-related incidences which directly affected the business environment especially in the underwriting sector.

On 2nd April 2015, the country was further struck by Al-Shabaab where 148 lives were lost in Garissa, further tempering the few gains the nation has made economically.

Still, I am glad that Kenya Re continues to flourish despite the amorphous business environment.

Despite the challenges, Kenya's economy grew by 5.6 per cent in the year 2015 from 5.3 per cent in 2014 occasioned by expansion in agriculture, construction and real estate sectors.

According to a World Bank report, Kenya's growth is projected to rise to 5.9% in 2016 and 6.1% in 2017. The positive outlook is predicated on infrastructure investments.

We believe this will spur a stable macroeconomic environment and improve the performance of insurance industry.

INDUSTRY TRENDS

With the emergence of unconventional products and services to meet the needs of the vigorously dynamic market, the insurance sector has grown significantly. Provision of reinsurance services to the industry has been necessitated by the emergence of political risk and terrorism covers, agricultural and micro insurance, and Takaful business.

We assure you that the Corporation has aligned its strategies to not only capture every presentable investment opportunity but also bring sustained increase of value to you, our esteemed shareholders.

FINANCIAL PERFORMANCE

I am delighted to note that we delivered impressive results in 2015; Gross premium written, the Net earned premiums and investment income show an upward progression. This saw our profit before tax grow by 15% from Kshs 3.9 billion in 2014 to Kshs 4.5 billion in 2015.

Our asset base grew from Kshs 32.17 billion to Kshs 35.95 billion, a 12% increase while the Corporation shareholders' funds rose by 10% from Kshs 19.9 billion to Kshs 21.94 billion.

STRATEGIC FOCUS

The impressive financial results reflect our commitment to strategically grow our reinsurance business as well as our investment portfolio. With the implementation of our core strategic pillars, we believe 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 continued to expand into regional markets in Africa and the Middle East. Presently, we have a business presence in over 62 countries and in over 265 insurance companies in Africa, Middle East and Asia.

These companies are benefiting from our extensive services. Our office in West Africa is on course in meeting its targets. We are in the last stages of setting up base in Lusaka, Zambia for the southern African markets following approval we received from you shareholders in last year's Annual General Meeting. 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 continues to build strong partnerships with her stakeholders and also with the wider society through a well conceived CSR campaign to bolster the social and economic stature of the needy in our society.

I would like to acknowledge the impact of the 2015 Niko Fiti campaign which saw 160 persons living with disability benefit from Mobile Vending Units that enabled them to not only provide for their families but also contribute to the socio-economic development of the our country.

We commit to empower more deserving Kenyans living with disability this year as we support them to demonstrate that disability is not inability. We urge shareholders and all our stakeholders to come on board and contribute to this worthy cause.

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 3.5 billion. Based on this impressive performance, your Board has recommended a first and final dividend of Kshs 0.75 cents per share.

APPRECIATION

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

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

I express my highest regard to our valued customers and investors for their sustained support to the Corporation.

I also wish to thank our competent, committed and dedicated management and staff for their unwavering dedication and mammoth efforts towards the objective of maximizing returns for all stakeholders and the Corporation as a whole.

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

Thank you and may God bless you.



DAVID K. KEMEI
CHAIRMAN



UTANGULIZI

Nina furaha kuu kuwasilisha taarifa yangu ya kwanza kwa Washikadau kama Mwenyekiti wa Kenya Re. Ningependa kuanza kwa kutoa shukrani zangu za dhati kwa mtangulizi wangu, Bi Neli Kariuki ambaye alistaafu kutoka kwenye Bodi, baada ya miaka 9, katika Mkutano Mkuu mwezi Juni mwaka 2015. Uongozi wake katika miaka hii umebadilisha Kampuni na kuipeleka hadi mstari wa mbele kitaifa na kimataifa.

Ni furaha yangu leo kuwasilisha ripoti ya kila mwaka ya mwaka wa 2015 na taarifa za fedha kwa ajili ya Kenya Re. Utendakazi wa Shirika unakua licha ya kuanguka kwa chumi zaidi ulimwenguni.

MAZINGIRA YA KIBIASHARA

Mwaka wa 2015 ulikuwa mgumu zaidi katika pande zote. Uchumi wa ulimwengu ulikuwa umeingia katika enzi ya ukuaji wa chini. Chumi zilizokuwa zilisalika pale pale na chumi zinazoibuka zilikuwa zikiendelea kuzorota. Kuongezeka kwa kiwango cha riba nchini Marekani, kuyumba kwa sarafu, na vile vile mabadiliko katika mpito nchini China pia yaliathiri mtazamo wa kiuchumi ulimwenguni.

Kenya ilishuhudia mapigo makubwa ya matukio yanayohusiana na ugaidi ambayo yaliathiri mazingira ya kibiashara moja kwa moja hususan katika sekta ya mikataba ya huduma.

Tarehe 2 Aprili 2015, nchi ilivamiwa zaidi na kundi la kigaidi la Al-Shabaab ambapo watu 148 walipoteza maisha yao huko Garissa, na kuathiri faida chache ambazo taifa lilikuwa limepiga hatua kiuchumi.

Bado, nina furaha kuwa Kenya Re inaendelea kuboreka licha ya mazingira yasiyojulikana ya kibiashara.

Licha ya changamoto hizi, uchumi wa Kenya ulikua kwa asilimia 5.6 katika mwaka 2015 kutoka asilimia 5.3 katika 2014 kutokana na kukua kwa kilimo, ujenzi na sekta za mali yasiyohamishika.

Kwa mujibu wa ripoti ya Benki ya Dunia, ukuaji wa Kenya unakadiriwa kuongezeka kwa 5.9% mwaka 2016 na 6.1% mwaka 2017. Mtazamo chanya unategemea uwekezaji wa miundomsingi.

Tunaamini hii itachangia mazingira thabiti ya uchumi na kuboresha sekta ya bima.

MIELEKEO YA SEKTA

Kwa udharura wa bidhaa na huduma zisizo za kawaida za kukidhi mahitaji ya soko linalobadilika haraka, sekta ya bima imeendelea kukua kwa kiasi kikubwa. Utoaji wa huduma za reinsurance katika sekta ya bima na kuibuka kwa hatari ya kisiasa na visa vya ugaidi, kilimo na bima, na biashara ya Takaful.

Tunakuhakikishia kuwa Shirika limepangilia mikakati yake sio tu kushughulikia kila fursa ya uwekezaji lakini pia kuwaletea ongezeko la thamani kwa ajili yako, washikadau wetu watukufu.

UTENDAJI WA KIFEDHA

Nina furaha kwa kutambua kwamba tumekuwa na matokeo ya kuvutia katika 2015; Jumla ya Pato lililoandikwa, mapato Halisi na mapato ya uwekezaji yote yamnekua kwa kiwango fulani. Hii imeshuhudia faida yetu kabla ya kodi kukua kwa 15% kutoka shilingi bilioni 3.9 mwaka 2014 hadi shilingi bilioni 4.5 mwaka 2015.

Msingi wa mali yetu ulikua kutoka shilingi bilioni 32.17 hadi shilingi bilioni 35.95, ongezeko la 12% wakati fedha za washikadau wa Shirika zimeongezeka kwa 10% kutoka shilingi bilioni 19.9 hadi shilingi bilioni 21.94.

ULENGAJI WA KIMKAKATI

Matokea ya kuvutia ya kifedha yanaakisi juhudi zetu za kukuza kimkakati biashara yetu ya reinsurance na vile vile kama portfolio ya uwekezaji wetu. Na utekelezaji wa maeneo yetu ya msingi ya kimkakati, tunaamini tutaongeza hisa ya soko, kuimarisha utawala bora, kuboresha usimamizi wa hatari na mifumo ya udhibiti, kuzalisha ukuaji endelevu wa kifedha, kupokea faida kubwa za uwekezaji wetu, kuongeza washikadau wa kampuni na kuongeza imani ya wawekezaji.

UENDELEZAJI WA BIASHARA

Kenya Re iliendelea kupanua katika masoko ya kikanda katika Afrika na Mashariki ya Kati. Hivi sasa, tuna uwepo wa biashara katika nchi zaidi ya 62 na katika zaidi ya makampuni ya bima 265 katika Afrika, Mashariki ya Kati na Asia.

Makampuni haya yananufaika na huduma zetu za kina. Bado ofisi zetu katika Afrika Magharibi zinaendelea kufikia malengo yake. Tupo katika hatua ya mwisho ya kuanzisha msingi katika Lusaka, Zambia kwa ajili ya masoko ya kusini mwa Afrika kufuatia idhini tuliyopokea kutoka kwa washikadau katika Mkutano Mkuu wa mwaka jana. Tutaendelea kulenga kimakini kuhusu fursa mpya zinazoweza kutoa uanuwai wa masoko ili kushughulikia mahitaji mbalimbali ya wateja.

WAJIBU WA KIJAMII KATIKA SHIRIKA

Shirika limeendelea kujenga ushirikiano imara na wadau wake na pia kwa jamii pana kupitia kampeni nzuri iliyo na CRS ili kuimarisha kimo kijamii na kiuchumi cha watu maskini katika jamii.

Ningependa kutambua athari ya kampeni ya 2015 Niko Fiti ambayo imewafaidi watu 160 walio na ulemavu kutokana Mobile Vending Units ambazo hazijawawezesha tu kukimu mahitaji ya familia zao lakini pia kuendeleza uchumi wa nchi.

Tunaahidi kuwawezesha watu binafsi zaidi wenye ulemavu mwaka huu tunapoendelea kuwasaidia kuonyesha kwamba ulemavu siyo kutokuwa na uwezo. Tunawaomba wanahisa na wadau wetu wote kujitokeza na kuchangia kwa lengo hili muhimu.

MGAO

Dhamira yetu ya kukuza thamani ya mshikadau bado ipo kama inavyothibitishwa na utendaji thabiti kamili wa mwaka. Faida ya baada ya ushuru ya mwaka ilikuwa shilingi bilioni 3.5. Kulingana na utendaji huu wa kuvutia, Bodi imependekeza mgao wa kwanza na mwisho wa senti shilingi 0.75 kwa kila hisa.

SHUKRANI

Nachukua fursa hii kurudisha shukrani zangu za dhati kwa serikali ya Kenya, mbia wetu muhimu kwa msaada wao endelevu na uongozi, mamlaka yote na mashirika ya yanayotoa msaada mkubwa kwa Kenya Re.

Ninawapongeza wenzangu katika Bodi kwa mchango wao mkubwa sana na kujituma ili kuboresha Shirika.

Ninawapongeza wateja wetu waaminifu na wawekezaji kwa msaada wao endelevu katika Shirika.

Kadhalika, ningependa kushukuru usimazi na wafanyi kazi wetu walio na ari, nia na uwezo kwa juhudi na bidii zao kuu kuhusu malengo ya kuongeza faida kwa washikadau wote na Shirika kwa ujumla.

Kwa niaba ya Wakurugenzi wa Kenya Re na zaidi ya waajiriwa 100 wenye uwezo na ari wa Kenya Re, ninawahakikishia juhudi zetu kamili na nguvu thabiti katika kulenga kuongeza faida kwa washikadau wote.

Asanteni na Mungu awabariki.



DAVID K. KEMEI
MWENYEKITI

REPORT OF THE DIRECTORS

KENYA REINSURANCE CORPORATION LTD

2015 ANNUAL REPORT & FINANCIAL STATEMENT

The directors have the pleasure of presenting their report together with the audited financial statements of Kenya Reinsurance Corporation Limited for the year ended 31 December 2015 which show the Group's and the Company's state of affairs.

Background Information

The Kenya Reinsurance Corporation Limited is a public limited liability company reconstituted through an Act of Parliament in 1997. It was established through an Act of Parliament in December 1970 and commenced business in January 1971 as Kenya Reinsurance Corporation. The Government of Kenya owns 60% of the company while the public owns 40%.

It has two fully owned subsidiaries; Kenya Reinsurance Corporation, Cote d'Ivoire, which was incorporated on 1 October 2014 and Kenya Reinsurance Corporation Zambia Limited, which was incorporated on 26 November 2015. Kenya Reinsurance Corporation, Cote d'Ivoire, operated as a full subsidiary in 2015, however, the Zambian subsidiary did not transact any business during the year.

Principal Activities

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

Results

	Group	Company	
	2015	2015	2014
	KShs '000	KShs '000	KShs '000
Profit before taxation	4,514,136	4,390,705	3,919,732
Taxation charge	(959,886)	(957,086)	(782,560)
Profit for the year transferred to retained earnings	3,554,250	3,433,619	3,137,172

Dividends

The directors recommend the payment of a first and final dividend of KShs 0.75 (2014: KShs 0.70) per share totalling to KShs 525 million for the year ended 31 December 2015 (2014: KShs 490 million).

Directors

The present membership of the Board is set out on page 1.

In accordance with Article 110 of the Company's Articles of Association Mr. Everest Lenjo, Mrs. Priscilla Mwangi and Dr. Lumbi Wa M'Nabea retire by rotation as Directors and, being eligible, offer themselves for re-election at the Annual General Meeting to be held on 17 June 2016.

Secretary

The Company's Secretary is Mr. Charles Kariuki.

Auditors

The Auditor General is responsible for the statutory audit of the Company's books of account in accordance with Section 48 of the Public Audit Act, 2015. Section 23 of the Act empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

Ernst & Young LLP, were appointed by the Auditor General, to carry out the audit for the year ended 31 December 2015.

By Order Of The Board


Secretary
Nairobi
2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS

KENYA REINSURANCE CORPORATION LTD

2015 ANNUAL REPORT & FINANCIAL STATEMENT

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 Group and the Company 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 Group and the Corporation keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company. They are also responsible for safeguarding the assets of the Group and the Company.

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 Group and the Company 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 Group and the Company will not remain a going concern for at least the next twelve months from the date of this statement.



Principal Officer



Director



Director



PERFORMANCE

It is my great delight to present to you the Group Annual Report of the Kenya Reinsurance Corporation Ltd for the year ended 31st December 2015. This is a momentous year in the history of the Corporation as we release the first group accounts.

I am very pleased to report that we managed to navigate the challenging reinsurance market macro and operating environments and are now reporting positive results driven by strong performances from both the Company and the Subsidiary in Cote D'Ivoire.

Over the last five years we have grown the dividend payout each year and executed growth strategies that have enabled sustainable growth in all the fundamental areas of the Corporation's operations and strategic focus. At the same time we have maintained a very strong financial position. We achieved impressive growth in all key financial indicators including return on equity (ROE) and earnings per share (EPS). These are commendable achievements in light of the turbulently competitive reinsurance markets realities and uncertain macroeconomic conditions that prevailed during much of 2015 and prior years.

Based on the focused five year rolling strategic planning framework we believe we are well placed to continue to achieve profitable growth, strong capitalization and unique client experience in the coming years.

FINANCIAL PERFORMANCE

The Group sustained the track record of profitability in year 2015. We achieved a profit before tax of Kshs 4.5 billion which was a growth of 15 % over year 2014 when we attained Kshs 3.9 billion in profit before tax.

In year 2015 the gross written premiums grew by 13% from Kshs 11.57 billion in the year 2014 to Kshs 13.06 billion. The net earned premiums grew from Kshs 10.3 billion in 2014 to Kshs 12 billion in 2015, a 17% increase. This growth in gross written premium was as the result implementation of our strategic plan and overwhelming support from cedants across our chosen markets in Africa, Middle East and Asia.

The net claims incurred grew by 18% from Kshs 5.96 billion in 2014 to Kshs 7.06 billion in 2015. The increase in the claims was in line with the overall reinsurance business expansion. There were a few high severity claims including earthquake claims from the Nepalese earthquake of year 2015.

Our investment income increased by 17% to Kshs 3.04 billion in 2015 from Kshs 2.59 billion in the previous year. This performance was driven by interest earned from the fixed income instruments which grew by 31% from 1.36 billion in 2014 to Kshs 1.79 billion in 2015. In addition we had favorable returns from our other investment vehicles including treasury bills and bonds, rental income, quoted as well as unquoted investment instruments.

FINANCIAL POSITION

The Corporation's asset base increased by 12% from Kshs 32.17 billion in 2014 to Kshs 35.95 billion in 2015 while the shareholders' funds grew by 10% from Kshs 19.99 billion in 2014 to Kshs 21.93 billion in 2015.

This growth trajectory 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). These ratings are B+ for financial strength and BBB for credit by A.M. Best and AA for domestic claims paying ability and BB+ for the foreign currency by GCR. The outlook of both ratings were positive and stable.

We retained our ISO Certification (ISO 9001:2008) to drive efficiencies and act as a framework around which to execute international best management practices.

MARKET AND PRODUCT DEVELOPMENT

The year 2015 exemplary results were underpinned by consistency in delivery of quality reinsurance service and retention as well as enhancement of facultative and treaty reinsurance shares in reinsurance and retrocession programs of the Corporation's portfolios in both non-life and life business in the chosen markets. Kenya is the Corporation's largest single market for the short term as well as long term business.

The Corporation's strategic focus is to develop and penetrate new and expand existing markets in order to increase market share, spread business risks and increase return on shareholders' funds. Apart from our aggressive marketing in key markets, we focused the business on efficient claims management, product innovation and offering new covers to our clients. Our diversification into retakaful paid off. We expect to reap maximum rewards in future from this line of business.

We developed technical insurance and reinsurance capacity in the markets across the African continent through training. This initiative saw Kenya Re conduct training on various insurance subjects such as agriculture, professional indemnity, medical insurance, political risks, terrorism and sabotage, energy (oil and gas), casualty as well as property insurances.

Further, we trained the insurance markets on a variety of reinsurance subjects among them proportional treaties, excess of loss reinsurances, reinsurance accounting, reinsurance treaty structuring, claims management including claims indexation, reserving and other technical reinsurance subjects. We did these training in many African countries including Kenya, Uganda, and Tanzania, Ethiopia, Zambia, and Cote d'Ivoire, Rwanda, Burundi and Tunisia.

As part of our expansion strategy, the subsidiary in Zambia was incorporated 2015. This is a wholly owned subsidiary of the Corporation. The Lusaka based Zambian subsidiary office will be a regional hub for the southern Africa insurance markets including Zimbabwe, Zambia, Botswana, Lesotho, Namibia, Angola, Mozambique and Swaziland.

During year 2015 we transformed our regional office in Abidjan, Cote d'Ivoire from a branch office into a wholly owned subsidiary of the Corporation. It is for this reason that 2015 is the first year of the Corporation to report group accounts.

INVESTMENTS

Premised on appropriate frameworks, strategies and policies the investment portfolio grew by 9% from Kshs 27.3 billion in 2014 to Kshs 29.7 billion in 2015. Fundamental and technical analysis informed the investment positions that we took on quoted and non-quoted equity instruments as well as other investments vehicles. In the year 2015 we increased our shareholding in Zep Re from 15.46% in 2014 to 20% as at 31st December 2015 by buying additional 2,829,400 shares of Zep Re. This was informed by the expected attractive dividends, capital appreciation and sustained growth of the regional reinsurer over the years.

We remained on course in preparations for the development of an ultra-modern high rise green commercial building in Upper Hill area of Nairobi metropolitan to cater for the growing demand for office space in the city.

INVESTMENTS IN TECHNOLOGY

We took full cognizance of the fact that technology plays a major role in enhancing internal efficiency which translates to superior customer service delivery. Our objective was achievement of the highest possible level of customer satisfaction. We implemented an integrated Enterprise Resource Planning (ERP) system to enhance service delivery as well as augment risk management and corporate governance.

In year 2016 we embarked on the process of implementation of the most progress reinsurance business management system that we will identify in the technology market place. We aspire to maintain leadership in application of technology to drive our business operations.

BRAND EQUITY

The Corporation brand equity index was 48% in 2012, 62% in 2013, 70% in 2014 and 75% in 2015. This was the result of deliberate brand building initiatives which led to greater visibility of the Corporation. Other factors that contributed to this achievement included enhanced publicity, our corporate social responsibility initiative dubbed Niko Fiti - Ability Beyond Disability, market presence and strong financial performance. Resulting from these initiatives, the Kenya Re brand is now seen as bold and outgoing.

HUMAN CAPITAL

As a Corporation we realized that strategic intent cannot be converted into tangible results without a dedicated staff compliment. That the human capital is the most valuable factors of production remained core to the operations of the corporation. We sought to build on staff morale, enthusiasm and commitment. We strove to entrench progressive and professional human capital management strategies in recruitment, development and retention of talent and skills.

We understood that it is important that the Corporation's employees to completely own and enthusiastically commit to implement the corporate objectives. The Corporation continually invested in its employees through performance management, succession planning and development programs.

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 responsible corporate citizenship. We have a corporate social responsibility (CSR) policy integral to our operations. We dedicate a percentage of the Corporation's annual net profits to CSR activities.

Our CSR initiative is called Niko Fiti - Ability Beyond Disability. Its key twin objectives are provision of assistive devices to persons living with disabilities (PWDs) and destigmatization of disability in society at large through positive messages. In 2015 we focused on economically empowering PWDs. We provided vending mobile tricycles to persons with disabilities on which they could sell merchandise. This enabled beneficiaries to not only earn a living but also provide for their families.

The Niko Fiti - Ability Beyond Disability programme gained recognition in 2013 when it was awarded CSR campaign of the Year by the Public Relations Society of Kenya awards. In 2014, it was awarded the Corporate Leadership Award during the Annual Disability Advocacy & Rights Award (ADARA) ceremony. Again in 2014 it was recognized as the Campaign of the Year 2014 by the Malaika Tribute Awards. These are testaments that the program makes impact and touches 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

We have crafted a five year rolling strategic plan to chart the strategic future of the Corporation. The current one is for the years 2016 to 2020. The strategic plan will result into an agile business model that will makes us not only survive but thrive in 2016 and beyond. We remain confident that we will continue to capture attractive business opportunities. These strategic objectives will ensure that we continue to engage in improving our customer service, provide new and innovative products, enhance our processes and operations and build relationships with our stakeholders.

The strategic plan is premised on five strategic objectives. The first is to deliver sustainable financial growth and stability in order to obtain a high return on investment, increase shareholder value and enhance investor confidence. The key result areas for this will be capital growth, premium growth, maximization of investment income, cost containment, financial reporting, return on shareholder funds and Investor relations.

The second is to implement efficient, simplified and cost effective processes in order to improve business performance and enhance stakeholder value. On this the key result areas will be alignment of technology to business objectives, continuous process improvement,

integration of ICT best practice in business operations, business information risk management, corporate information and knowledge management.

The third is enhanced business development. This will enable the Corporation penetrate new and expand existing markets in order to increase market share, spread business risks and increase return to shareholders. The key result areas that go with this are market research and understanding, engagement of intermediaries in the Corporation's chosen markets, partnerships with reinsurance companies, product innovation, process innovation and accessibility of the Corporation's products and services.

The fourth is risk management. This will ensure that corporate governance, risk management and internal control systems adequately safeguard stakeholder interests. The key result areas in this will be business risk management, corporate governance, internal control as well as monitoring and evaluation.

The final strategic objective is to strengthen institutional capacity. This will enable the Corporation maintains a competent and suitably qualified staff, able to deliver its mandate and obligations to stakeholders. Key under this will be management of diversity and promotion of an equal opportunity culture across the Corporation, staff welfare, communication of business strategy and related performance requirements across the Corporation, staff training and development, succession planning and business continuity, performance management, a conducive organizational culture and development of a corporate identity. The Corporation truly puts its clients at the center of the business and re-orientate the business to operate from the client's point of view. This objective will help us ensure we become a genuine customer centric business by putting our customers at the heart of what we do.

CONCLUSION

In conclusion, I take this opportunity to most sincerely thank the Board of Directors for their steadfast support and for always offering guidance. I would also like to most sincerely thank all our customers for believing in us, and our shareholders and other stakeholders for trusting and having faith in us. Lastly but not least I thank the entire team of Kenya Reinsurance Corporation for their dedicated support that has driven the performance that we celebrate today.

Thank you and May God richly bless you.



JADIAH MWARANIA, OGW
MANAGING DIRECTOR



UTENDAKAZI

Nina furaha kubwa kuwasilisha Ripoti ya Kila Mwaka ya Shirika la Kenya Reinsurance Corporation Ltd kwa mwaka uliomalizikia tarehe 31 Desemba 2015. Huu ni mwaka wa kipekee katika historia ya Shirika hili kadri tunavyotoa akaunti za kwanza za Shirika.

Ninafuraha kuripoti kuwa tulifanikiwa kuyakabili mazingira yenye changamoto kubwa katika soko la biashara ya bima na usimamizi wake na sasa tunaripoti matokeo chanya yanayosababishwa na utendakazi thabiti kutoka kwenye Kampuni na mashirika tanzu nchini Cote D'Ivoire.

Katika kipindi cha miaka mitano iliyopita tumeimarisha malipo ya mgao ya kila mwaka na kutekeleza mikakati ya ukuaji ambayo imewezesha ukuaji endelevu katika maeneo yote ya msingi ya shughuli na ulengaji wa kimkakati wa Shirika. Wakati huo huo tumedumisha nafasi thabiti zaidi ya kifedha. Tumefanikisha ukuaji wa kuvutia katika viashirio vyote msingi vya kifedha pamoja na faida kwenye usawa (ROE) na mapato kwa kila hisa (EPS). Haya ni mafanikio ya kupongezwa kwa kuzingatia ukweli na hali mbaya za uchumi na ushindani mkuu wa masoko ya bima kuu zilizoonekana zaidi mwaka wa 2015 na miaka ya nyuma.

Kulingana na umakini wa miaka mitano ya mfumo wa kupanga mikakati tunaamini kuwa tuko katika nafasi bora ya kufanikisha ukuaji wa faida, mtaji thabiti na uzoefu wa kipekee kwa wateja katika miaka ijayo.

UTENDAJI WA KIFEDHA

Kikundi kiliweka rekodi nzuri ya faida katika mwaka wa 2015. Tulipata faida ya shilingi bilioni 4.5 kabla ya kodi ambayo ilikuwa ukuaji wa 15% mwaka wa 2014 tulipopata faida ya shilingi bilioni 3.9 kabla ya ushuru.

Katika mwaka 2015 pato la malipo lilikuwa kwa 13% kutoka shilingi bilioni 11.57 mwaka 2014 hadi shilingi bilioni 13.06. Pato la malipo halisi lilikuwa kutoka shilingi bilioni 10.3 mwaka wa 2014 hadi shilingi bilioni 12 mwaka wa 2015, ongezeko la 17%. Ukuaji huu katika kiwango cha ujumla ulitokana na uidhinishwaji wa mpango wetu maalum pamoja na msaada mkubwa kutoka kwa washirika wetu wa masoko ya kibiashara barani Afrika, Mashariki ya Kati na barani Asia.

Madai kamili ya malipo yaliyolipwa yalipanda kufikia 18% kutoka shilingi Bilioni 5.96 katika 2014 hadi Shilingi Bilioni 7.06 katika mwaka wa 2015. Ongezeko hili la malipo liliambatana na mkakati wetu wa jumla wa upanuzi wa biashara yetu ya bima. Kadhalika, palikuwa na malipo makubwa yaliyohusisha madai ya mitetemeko ya ardhi kutoka kwa matetemeko ya huko Nepal katika mwaka wa 2015.

Mapato ya Uwekezaji yaliongezeka kwa 17% hadi kufikia shilingi Bilioni 3.04 katika 2015 kutoka shilingi Bilioni 2.59 katika mwaka uliotangulia. Utendaji huu uliendeshwa na faida iliyopatikana kutoka kwenye vyombo vya mapato ya kudumu iliyokua kwa 31% kutoka shilingi bilioni 1.36 mwaka wa 2014 hadi shilingi bilioni 1.79 mwaka wa 2015. Kadhalika, tulikuwa na faida za kuvutia kutoka kwenye uwekezaji mwingine pamoja na bili na dhamana za hazina, mapato ya kodi, vyombo vilivyonukuliwa na visivyonukuliwa.

NAFASI YA KIFEDHA

Amali ya kiwango cha Shirika iliongezeka kwa 12% kutoka shilingi bilioni 32.17 katika 2014 hadi shilingi 35.95 katika mwaka wa 2015 huku hazina ya wenyekaji ikiongezeka kwa 10% kutoka shilingi bilioni 19.99 katika 2014 hadi shilingi bilioni 21.93 katika mwaka wa 2015.

Hali hii ya ukuaji katika uthabiti wa uwekezaji wa Shirika hili unadhihirika wazi kutokana na sifa zinazoendelea kuonekana kutoka kwa mashirika ya kimataifa ya utathmini wa kifedha yakiwa ni pamoja na A.M. Best na Global Credit Rating (GCR). Viwango hivi vya utathmini ni kama B+ katika kitengo cha uthabiti wa kifedha na BBB katika mikopo kutoka A.M. Best na hali kadhalika AA katika uwezo wa kulipa madeni ya kawaida pamoja na BB+ katika sarafu za kimataifa kutoka kwa GCR. Mtazamo wa makadirio yote ulikuwa chanya na thabiti.

Tulibakiza Cheti chetu cha ISO (ISO 9001:2008) ili kuendesha shughuli zetu kwa ufanisi na kuwajibika kama mfumo wa kutekeleza shughuli bora za usimamizi wa kitamatifa.

UKUJAZI WA SOKO NA BIDHAA

Mtokeo ya kutolewa mfano ya mwaka wa 2015 yalizidishwa na uthabiti kati uwasilishaji wa huduma bora ya kuweka upya bima na ubakizaji pamoja na uboreshaji wa kituuo na hisa za mkataba wa kuweka upya bima katika mipango ya uwekaji bima upya na upunguaji wa portfolio za Shirika katika biashara zisizo na uhai na zile zilizo na uhai katika masoko yaliyochaguliwa. Kenya ni soko kubwa zaidi la Shirika kwa muda mfupi vile vile biashara za kudumu.

Lengo la kimkakati la Shirika ni kuendeleza na kupenya katika masoko mapya na kupanua yaliyopo ili kuongeza hisa ya soko, kusambaza hatari za biashara na kuongeza faida kwa fedha za washikadau. Mbali na masoko yetu yenye fujo katika masoko makubwa, tulilenga biashara katika usimamizi wa madai ya ufanisi, uvumbuzi wa bidhaa na kutoa bima mpya kwa wateja wetu. Mseto wetu katika retakafu ulisaidia. Tunatarajia kuvuna matuzo ya juu zaidi siku zijazo kutoka kwa mkondo huu wa biashara.

Tuliendeleza bima ya kiufundi na uwezo wa kuweka upya bima kwa masoko katika bara la Afrika kupitia mafunzo. Mpango huu uliwezesha Kenya kuendesha mafunzo upya katika mada mbalimbali za bima kama vile kilimo, uhakika wa utaalum, bima ya matibabu, hatari ya kisiasa, ugaidi na hujuma, kawi (mafuta na gesi), majeruhi pamoja na bima za mali.

Mbali na hayo, tulifunza masoko ya bima kuhusu mada mbalimbali za uwekaji bima upya zikijumuisha mikataba sawia, uwekaji bima upya wa hasara kupita kiasi, kuweka upya bima ya uhandisi, muundo wa mkataba wa uwekaji upya wa bima, usimamizi wa madai ukijumuisha kiolezo cha madai, kuhifadhi na mada zingine za uwekaji bima upya wa kiufundi. Tulifanya mafunzo haya katika nchi nyingi za Afrika ikijumuisha Kenya, Uganda, na Tanzania, Ethiopia, Zambia na Cote D'Ivoire, Rwanda, Burundi na Tunisia.

Kama sehemu ya mkakati wetu wa upanuzi, vyama tanzu nchini Zambia vilijumuishwa mwaka wa 2015. Hiki ni chama tanzu kinachomilikiwa kikamilifu cha Shirika. Ofisi ya chama tanzu cha Zambia iliyo Lusaka itakuwa kitovu cha eneo kwa masoko ya uwekaji bima upya wa Afrika Kusini yakijumuisha Zimbabwe, Zambia, Botswana, Lesotho, Namibia, Angola, Msumbiji na Uswazi.

Mwaka wa 2015 tuligeuza ofisi yetu ya eneo katika Abidjan, Cote D'Ivoire kutoka kwa ofisi ya tawi hadi chama tanzu kinachomilikiwa kikamilifu cha Shirika. Ni kwa sababu hii kuwa 2015 ni mwaka wa kwanza wa Shirika kuripoti akaunti za kikundi.

UWEKEZAJI

Ikijikita kwa miundo, mikakati na sera sahihi uwekezaji mwingine ulikuwa kwa 9% kutoka KShs bilioni 27.3 mwaka wa 2014 hadi KShs bilioni 29.7 mwaka 2015. Utathmini msingi na wa kiufundi ulijulisha nafasi za uwekezaji kuwa tulichukua zana za usawa zilizozukuliwa na zisizonukuliwa vile vile magari mengine ya uwekezaji. Mwaka wa 2015 tuliongeza ushikadau wetu katika Zep Re kutoka 15.46% mwaka wa 2014 hadi 20% kufikia Disemba 31, 2015 kwa kununua hisa 2,829,400 za ziada za Zep Re. Hii iliarifiwa na migao ya kuvutia iliyotarajiwa, uthamini wa mtaji na ukuaji endelevu wa mwekaji bima upya wa eneo kwa miaka.

Tuliendelea vyema kuhusu matayarisho ya maendeleo ya kujenga jengo la kifahari la biashara katika eneo la Upper Hill jijini Nairobi ili kuhudumia kuongezeka kwa mahitaji ya nafasi ya ofisi mjini

UWEKEZAJI KATIKA TEKNOLOJIA

Tulichukua udhibiti kamili wa kuwa teknolojia ina jukumu kubwa la kuboresha ufanisi wa ndani unaowezesha kutoa huduma bora zaidi kwa wateja. Lengo letu lilikuwa ni kufanikisha kiwango kinachowezekana cha juu zaidi cha kuridhisha wateja. Tulitekeleza Mpango wa rasilimali ya Kampuni kubwa iliyoshirikishwa (ERP) ili kuboresha utoaji wa huduma na pia kuongeza usimamizi wa hatari na uongozi wa shirika.

Mwaka wa 2016 tulijiingiza katika mchakato wa utekelezaji wa mfumo zaidi wa maendeleo ya usimamizi wa biashara ya reinsurance ambao tutautambua katika eneo la soko ya teknolojia. Tunatamani kudumisha uongozi katika matumizi ya teknolojia ya kuendesha shughuli zetu za biashara.

USAWA WA CHAPA

Kiolezo cha usawa cha chapa ya Shirika kilikuwa 48% mwaka wa 2012, 62% mwaka 2013, 70% mwaka wa 2014 na 75% mwaka wa 2015. Hii ilitokana na mpango wa ujenzi wa chapa ya maksudi ulioongoza uonekanaji mkubwa wa Shirika. Sababu nyingine zilizochangia kwa mafanikio haya ulijumuisha utangazaji uliohimarishwa, mpango wetu wa wajibu wa shirika la kijamii uliopewa jina Niko Fiti - Ulemavu sio kukosa uwezo, uwepo wa soko na utendakazi thabiti wa kifedha. Kutokana na mikakati hii, chapa ya Kenya Re sasa imekomaa na ni endelevu.

MTAJI WA KIBINADAMU

Kama Shirika tuligundua kuwa dhamira ya kimkakati haiwezi kugeuzwa hadi matokeo bainifu bila ukamilisho wa wafanyikazi waliojitolea. Kuwa, mtaji wa binadamu ni sababu za thamani zaidi za uzalishaji uliosali msingi kwa operesheni za shirika. Tunahitaji kuimarisha maadili, bidii na kujitolea kwa wafanya kazi. Tunajitahidi kuweka mikakati ya usimamizi wa mtaji wa kibinadamu ya maendeleo na kitaalam katika kuajiri, maendeleo na uhifadhi wa vipaji na ujuzi.

Tulielewa kuwa ni muhimu kuwa wafanyikazi wa Shirika kumiliki kikamilifu na kujitolea kwa shauku kubwa kutekeleza malengo ya shirika. Shirika linaendelea kuwekeza katika wafanyikazi wake kupitia usimamizi wa utendakazi, mfuatano wa kupanga na mipango ya maendeleo.

WAJIBU WA KIJAMII KATIKA SHIRIKA

Mojawapo ya maadili yetu sita msingi ni 'Uraia Mzuri wa Shirika'. Chini ya maadili haya msingi tunatoa ahadi kuwa tutasalia kufahamu maisha na riziki za watu katika jumuiya tunazoendesha shughuli, na tutashiriki katika miradi ambayo inatoa msaada wa kifedha na hisia katika kufafanua kujitolea kwetu kwa wajibu wa uraia wa shirika. Tuna sera muhimu ya wajibu wa kijamii katika shirika (CSR) katika shughuli zetu za kibiashara. Tunatoa asilimia ya faida halisi za kila mwaka za Shirika kwa shughuli za CSR.

Mikakati yetu ya CSR inaitwa Niko Fiti- Uwezo Zaidi ya Ulemavu. Malengo yake mawili muhimu ni kutoa vifaa vya usaidizi kwa watu wenye ulemavu (PWDs) na kuondoa kasumba ya ulemavu katika jamii kwa ujumla kupitia ujumbe wa kutia moyo. Mwaka wa 2015 tulilenga PWDs za uwezeshaji wa kiuchumi. Tulitoa viti maalum kwa watu wenye ulemavu ambapo wanaweza kutumia kuuza bidhaa. Hii iliwezesha wafaidi sio tu kupata pato la kila siku lakini pia kusaidia familia zao.

Niko Fiti - Mpango wa Uwezo Zaidi ya Ulemavu ulitambuliwa mwaka wa 2013 ulipotuzwa kampeni ya CSR la Mwaka na Jumuiya Mahusiano ya Umma ya matuzo ya Kenya. Mwaka wa 2014, ilituzwa Tuzo la Uongozi wa Shirika wakati wa sherehe za Kila mwaka za Tuzo la Utetezi na Haki za Walemavu (ADARA). Kadhalika, mwaka wa 2014 ilitambuliwa kama Kampeni ya Mwaka 2014 na Malaika Tribute Awards. Haya ni maagano kuwa mpango hubadilisha na kugusa maisha wa wengi. Tutaendelea kujenga mpango huu ili tuweze kuendelea kubadilisha maisha ya wengine wengi.

SIKU ZIJAZO

Tumeunda mpango wa kimkakati unaoendeshwa kwa kipindi cha miaka mitano ili kuonyesha mikakati ya baadaye ya Shirika. Mpango wa sasa ni wa miaka 2016 hadi 2020. Mpango wa kimkakati utatuwezesha kuunda modeli ya biashara ya kuweza kuendesha shughuli haraka na rahisi ambao utatufanya sio tu kuwepo lakini pia kuendelea katika mwaka wa 2016 na zaidi.

Tunaendelea kuamini kuwa tutaendelea kunasa fursa za kuvutia biashara. Malengo haya ya kimkakati yatahakikisha kuwa tunaendelea kuhusika katika kuboresha huduma yetu kwa wateja, kutoa bidhaa mpya na za uvumbuzi, kuimarisha michakato na operesheni zetu na kujenga mahusiano na washikadau wetu.

Mpango wa mkakati umeshikiliwa na malengo tano ya kimkakati. Kwanza ni kutoa ukuaji endelevu wa kifedha na uthabiti ili kupata faida ya juu katika uwekezaji, kuongeza thamani ya washikadau na kuimarisha imani ya mwekezaji. Maeneo msingi ya hii yatakuwa ukuaji wa mtaji, ukuaji wa malipo, uongezaji wa mapato ya uwekezaji, kudumisha bei, kuripoti kwa kifedha, faida katika pesa za washikadau na uhusiano wa Mwekezaji.

Pili ni kutekeleza michakato yenye ufanisi, iliyorahisishwa na ya bei nafuu ili kuboresha utendakazi wa biashara na kuimarisha thamani ya washikadau. Katika maeneo haya ya matokeo muhimu kutakuwa na upangaji wa teknolojia kwa malengo ya biashara, maboresho ya mchakato yanayoendelea, ushirikiano wa mazoezi bora ya ICT katika operesheni za biashara, usimamizi wa hatari ya maelezo ya biashara, maelezo ya shirika na usimamizi wa akili.

Tatu ni kuendeleza biashara zilizoimarishwa. Hii itawezesha Shirika kupenya kwa masoko mapya na kupanua yaliyopo ili kuongeza hisa za soko, kusambaza hatari ya biashara na kuongeza faida kwa washikadau. Maeneo ya matokeo msingi ambayo yanaandamana na hii ni utafiti wa soko na kuelewa, uhusishaji wa wapatanishi katika masoko ya Shirika yaliyochaguliwa, ushirikiano na kampuni za kuweka upya bima, uvumbuzi wa bidhaa, mchakato wa uvumbuzi na ufikiaji wa bidhaa na huduma za Shirika.

Ya nne ni usimamizi wa hatari. Hii itahakikisha kuwa uongozi wa shirika, usimamizi wa hatari na mifumo ya udhibiti wa ndani inalinda kikamilifu maslahi ya washikadau. Maeneo ya matokeo msingi katika hili yatakuwa usimamizi wa hatari ya biashara, usimamizi wa shirika, usimamizi wa ndani vile vile ufuatiliaji na utathmini.

Malengo yetu kamili ya mkakati ni kuimarisha uwezo wa kiasasi. Hali hii italiwezesha shirika kuwa na wafanyikazi walio na umilisi wa kutosha na waliochaguliwa kwa njia inayofaa, wanaoweza kumudu majukumu yao ipasavyo pamoja na kuyafikia mahitaji ya wenyehisa. Mhimili mkuu katika hatua hii ni usimamiaji wa uanuai na usimamizi unaolingania usawa katika shirika lote, shughuli za wafanyikazi, mawasiliano ya mikakati ya biashara pamoja na utendakazi mwingine unaohusiana na huo katika idara zote za shirika, mafunzo na maendeleo ya wafanyikazi, mipango ya mabadiliko na maendeleo ya kanuni za biashara, usimamizi wa maendeleo, tamaduni bora ya kiusimamizi na maendeleo ya kulitangaza shirika. Shirika hili linawapa kipaumbele wateja wake katika shughuli zake za kibiashara na kuifanya biashara hii kumfanya mteja kuwa ndiye mhimili mkubwa ya biashara yote. Lengo hili litatusaidia kuhakikisha tunakuwa biashara inayolenga wateja halali kwa kuwahusisha wateja wetu katika kila jambo tunalofanya.

HITIMISHO

Kwa kumalizia, ninachukua fursa hii kutoa shukrani za dhati kwa Bodi ya Wakurugenzi kwa msaada wao imara na kwa kutoa mwongozo kila mara. Ningependa kuwashukuru kwa dhati wateja wetu wote kwa kutuamini, na wanahisa na washikadau wengine kwa kutuamini na kuwa na imani nasi. Hatimaye ninashukuru timu nzima ya Kenya Reinsurance Corporation kwa msaada wao wa kujitua ambao umeendesha utendakazi tunaosherehekea leo.

Asanteni na Mungu awabariki zaidi.



JADIAH MWARANIA, OGW
MKURUGENZI MKUU

STATEMENT ON CORPORATE GOVERNANCE

KENYA REINSURANCE CORPORATION LTD

2015 ANNUAL REPORT & FINANCIAL STATEMENT

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 Company and is accountable to the shareholders and stakeholders in ensuring that the Company 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 Company. The Board comprises of eleven (11) directors ten (10) of whom are non-executive directors including the Chairman. The Board defines the Company'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 Company and assumes responsibilities for the effective control over the Company. The Company 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 seven (7) special meetings during the year under review. As the Company 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.

Audit Committee

The membership of the Audit Committee is comprised as follows:

Everest Lenjo	- Chairman
Protus Sigei	- Alternate to CS, National Treasury
Dr. Lumbi M'Nabea	
Felistas Ngatuny	
Chiboli Shakaba	

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 Company.
- Review and make recommendations regarding the Company'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.

Risk & Compliance Committee

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

Lumbi M'Nabea	- Chairman
Felix Okatch	
Everest Lenjo	
Maina Mukoma	
Jadiah Mwarania	

The responsibilities of this Committee include:

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

- Setting out the nature, role, responsibility and authority of the risk management and the compliance function of the Company.
- 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 Company is exposed to from time to time.

The committee held four (4) regular and two (2) special meetings in the year under review.

Human Resources Committee

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

Priscilla Mwangi	- Chairman
Jennifer Karina	
Felistas Ngatuny	
Protus Sigei	- Alternate to CS, National Treasury
Chiboli Shakaba	
Jadiah Mwarania	

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

The Committee held four (4) regular meetings and eight (8) special meetings in the year under review.

Finance Investment and Tender Oversight Committee

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

Felix Okatch	- Chairman
Maina Mukoma	
Jennifer Karina	
Priscilla Mwangi	
Jadiah Mwarania	

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

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

Risk Management and Internal Controls

The Company 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 Company. 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 Company. 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 Company to achieve its objectives both in the short and long term.

Creating Shareholders' Value

In order to assure the shareholders of the Company'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 2015 are disclosed in the notes to the financial statements under note 43. Non-executive directors are paid sitting allowances for every meeting attended. There were no arrangements for the directors to acquire benefits through the acquisition of the Company's shares. Loans and advances to directors as at the end of the year are also disclosed in the financial statements under note 43.

STATEMENT ON CORPORATE GOVERNANCE

(continued)

KENYA REINSURANCE CORPORATION LTD

2015 ANNUAL REPORT & FINANCIAL STATEMENT

Directors' interest and distribution of shareholding

Directors' interests in the shares of the Company and the distribution of the Company's shareholding and analysis of the ten largest shareholders as at 31 December 2015 were as follows:

Directors' interests as at 31 December 2015:

	Number of shares	% Shareholding
The National Treasury of Kenya	420,000,000	60
Jadiah Mwarania	100,000	-
Chiboli Shakaba	117,205	-
Jennifer Kabura Karina	55,889	-
Felix Okatch	18,200	-
David Kibet Kemei	388	-
	420,291,682	60

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

Shares Range	Shareholders	Number of Shares	% Shareholding
1 - 500	75,187	16,337,782	2.33
501 - 1,000	15,518	10,864,992	1.55
1,001 - 5,000	12,981	24,822,121	3.55
5,001 - 10,000	1,237	8,606,314	1.23
10,001 - 50,000	1,017	19,937,658	2.85
50,001 - 100,000	121	8,348,937	1.19
100,001 - 500,000	139	28,977,494	4.14
500,001 - 1,000,000	36	26,093,962	3.73
1,000,001 & above	27	555,959,808	79.43
	106,263	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	99,405	91,130,274	13.02
Local Institutional Investors	6,305	522,259,686	74.61
Foreign Investors	553	86,559,108	12.37
	106,263	699,949,068	100.00



Director



Director

2016



1 JADIAH MWARANIA, Managing Director

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

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

He is a past long serving Chief Examiner of the Certificate of Proficiency examinations of the Kenya Institute of Insurance.

Mr. Mwarania is a holder of the Order of Grand Warrior (OGW).



2 BETH S. NYAGA - General Manager (Reinsurance Operations)

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



3 MICHAEL J. MBESHI - General Manager (Property & Administration)

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



4 JACQUELINE NJUI - General Manager - Finance & Investments

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

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



5 CHARLES KARIUKI - Corporation Secretary

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

Kenya Reinsurance Corporation Limited
Report on the Actuarial Valuation of the Life Fund as at 31 December 2015

Appendix F: Actuary's Certificate

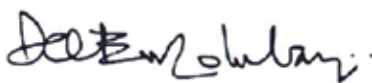
Kenya Reinsurance Corporation Limited

Actuarial Valuation as at 31 December 2015

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 2015 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 and Faculty of Actuaries

Nairobi
March 2016

REPUBLIC OF KENYA

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



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA REINSURANCE CORPORATION LIMITED FOR THE YEAR ENDED 31 DECEMBER 2015**REPORT ON THE FINANCIAL STATEMENTS**

The accompanying financial statements of Kenya Reinsurance Corporation Limited set out on pages 35 to 95, which comprise the consolidated and company statement of financial position as at 31 December 2015, and the consolidated and company statement of profit or loss and other comprehensive income, consolidated and company statement of changes in equity, and consolidated and company 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 Ernst and Young LLP, auditors appointed under Section 23 of the Public Audit Act, 2015 and in accordance with the provisions of Article 229 of the Constitution of Kenya. 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.

Directors' Responsibility for the Financial Statements

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

The directors are also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

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 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

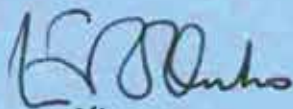
Opinion

In my opinion, the consolidated and company's financial statements present fairly, in all material respects the financial position of Kenya Reinsurance Corporation Limited as at 31 December 2015, and of its consolidated and company's financial performance and its consolidated and company's cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Kenyan Companies Act.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

06 April 2016

JAMUHURI YA KENYA
AFISI YA UKAGUZI WA KITAIFA NCHINI KENYA
Simu: 254-20-342330
Kipepesi: 254-20-311452
Barua pepe: oag@oagkenya.go.ke
Tovuti: www.kenao.go.ke

S.L.P 30084-00100
NAIROBI

RIPOTI YA MKAGUZI MKUU WA FEDHA YA KENYA REINSURANCE CORPORATION LIMITED YA MWAKA ULIOMALIZIKIA DESEMBA 31 2015.

RIPOTI KUHUSU TAARIFA ZA KIFEDHA

Taarifa hii ya kifedha ya Kenya Reinsurance Corporation Limited kama ilivyo ambatishwa katika ukurasa wa 35 na 95, iliyo na taarifa kuu ya kifedha pamoja na ile ya kampuni kufikia tarehe 31 Desemba 2015, ikiwa ni pamoja na taarifa kuu na ile taarifa ya kampuni ya faida ama hasara pamoja na mapato mengine, taarifa kuu na taarifa kampuni ya mabadiliko ya usawa, na pia taarifa kuu na taarifa ya kampuni inayohusiana na mapato yote ya mwaka uliokamilika, pamoja na muhtasari wa sera maalum za uhasibu yakiwepo maelezo mengine, yamekaguliwa kwa niaba yangu na Ernst and Young LLP, wakaguzi wa kifedha walioteuliwa chini ya kifungu cha 23 cha Sheria ya Umma ya Ukaguzi, ya 2015 kwa kizingatia kifungu cha sheria cha 229 cha Katiba ya Jamhuri ya Kenya. Wahariri wameripoti kihalali kwangu matokeo ya uhariri wao na kwa misingi ya ripoti yao, nimeridhika kuwa maelezo na ufafanuzi wote ambao, jinsi ninavyofahamu na kuamini, ulikuwa muhimu kwa lengo la uhariri ulipatikana.

Wajibu wa wakurugenzi kwa Taarifa za Kifedha

Wakurugenzi wanawajibika kwa kuandaa na kuwasilisha kwa haki taarifa hizi za kifedha kwa uzingatiaji wa Viwango vya Kuripoti kwa Fedha vya Kimataifa na udhibiti huo wa ndani kama wakurugenzi hutambua ni muhimu ili kuwezesha uandaaji wa taarifa za kifedha ambazo ni huru kutokana na taarifa za nyenzo zisizo sahihi, iwapo kutokana na ulaghai au kosa. Wakurugenzi pia wanawajibika kwa kuwasilisha taarifa za kifedha kwa Mkaguzi Mkuu wa Fedha kwa vipengele vya Kifungu cha 47 cha Sheria ya Ukaguzi wa Fedha za Umma 2015.

Wajibu wa Mkaguzi Mkuu wa Fedha

Wajibu wangu ni kueleza maoni kuhusu taarifa hizi za kifedha kulingana na Ukaguzi na ripoti kulingana na vipengele vya Kifungu cha 48 cha Sheria ya Ukaguzi wa Fedha za Umma, 2015 na kuwasilisha ripoti ya ukaguzi kulingana na Ibara ya 229(7) ya Katiba ya Kenya. Ukaguzi wa fedha uliendeshwa kulingana na Viwango vya Kimataifa kuhusu Ukaguzi wa Fedha. Viwango hivyo vinahitaji uzingatiaji wa mahitaji ya kimaadili na kuwa ukaguzi wa fedha upangwe na kutekelezwa ili kupata uhakikisho unaofaa kuhusu iwapo taarifa za kifedha hazina upotofu wa nyenzo.

Uhariri unajumuisha kutekeleza taratibu ili kupata ushahidi kuhusu viwango na ufichuzi katika taarifa za kifedha. Taratibu zilizoteuliwa zinazingatia uamuzi wa wahariri, ukiwa ni pamoja na utathmini wa hatari taarifa za nyenzo zisizo sahihi za taarifa za kifedha, iwapo ni kutokana na ulaghai au kosa. Katika uandaaji wa hizo tathmini za hasara, mkaguzi wa kifedha huzingatia kanuni za ndani za usimamizi zinazoambatana na maandalizi ya shirika pamoja na uwasilishaji ulio sawa wa taarifa za kifedha ili kuandaa utaratibu muafaka na ambao unalandana na mazingira, lakini sio kwa lengo la kutoa hoja kuhusu ufaafu wa usimamizi wa utendakazi wa ndani wa shirika lenyewe. Ukaguzi pia unahusisha utathmini wa usawa wa sera za uhasibu zilizotumika pamoja na uhalisia wa makadirio ya uhasibu yaliyofanywa na wakurugenzi, na halikadhalika kutathmini mawasilisho ya jumla ya taarifa hizo za kifedha.

Ninaamini kuwa ushahidi wa ukaguzi wa fedha uliopatikana unatiosha na mwafaka kutoa msingi wa maoni yangu ya ukaguzi.

Maoni

Kwa maoni yangu, taarifa kuu ya kifedha pamoja na ile ya kampuni zinaonyesha hali halisi, katika vipengele vyote ya kimsingi vinavyohusiana na uhalisia wa kifedha wa Kenya Reinsurance Corporation Limited kufikia tarehe 31 Desemba 2015, na matokeo ya taarifa kuu pamoja na ile ya kampuni pamoja na mapato ya kifedha ya mwaka uliomalizika, kuambatana na Viwango vya Ubora vya Kimataifa vya Utoaji Taarifa za Kifedha kwa kulingana na Sheria ya Kampuni za Kenya.

RIPOTI KUHUSU MAHITAJI MENGINE YA KISHERIA PAMOJA NA YALE YA KIUSIMAMIZI

Kama inavyohitajika na Sheria ya Kampuni za Kenya, ninaripoti kulingana na ukaguzi kwamba:

- i. Nimepokea taarifa na maelezo yote ambayo kwa ufahamu na imani yangu, zilihitajika na zilikuwa za kimsingi sana katika mchakato mzima wa ukaguzi huu wa kifedha;
- ii Kwa maoni yangu, vitabu vizuri vya akaunti vimehifadhiwa na Kikundi na Kampuni, kufikia sasa kama inavyoonekana kutoka kwa uchunguzi wa vitabu hivi; na
- iii Taarifa ya Kikundi na kampuni ya hali ya kifedha na taarifa ya faida au hasara na mapato mengine ya kina yanakubaliana na vitabu vya akaunti.

FCPA, EDWARD R. O. OUKO. CBS
MKAGUZI MKUU WA FEDHA
Nairobi

Tarehe 06 Aprili 2016

NIKO FITI- ABILITY BEYOND DISABILITY CSR PROGRAM

Niko Fiti - Ability Beyond Disability campaign is a Corporate Social Responsibility run by Kenya Reinsurance Corporation Limited (Kenya Re), targeting Persons with Disabilities.

The campaign is geared towards providing mobility devices to those affected and end the stigma associated with disability within societies. Disability is not by choice as it can happen to anyone.

Since its inception in 2011, the Niko Fiti- Ability beyond Disability Campaign has managed to reach over 2,200 Kenyans living with disabilities across different counties, by providing mobility and assistive devices that have empowered them to undertake their daily operations with minimal dependency, enabling them to access education and employment and as a result achieve economic growth and independence. The devices distributed include tricycles, wheelchairs, special seats, crutches and prosthetic arms and legs, polio boots and urine bags.

Having distributed mobility devices in the past three years, Niko Fiti took a different strategic direction in 2015 under the theme: "Economic Empowerment of Persons with Disability". This was in recognition of the fact that the rehabilitation of persons with disabilities is not complete without some form of financial assistance to enable them become self-reliant through business start-ups. This would be achieved through the establishment of Business Parks at different designated areas within Nairobi County where they will sell goods to the general public thus enabling them to not only earn a living but also provide for their Families.

So far, the new program has seen 160 beneficiaries from Kamukunji, Kibera and Kasarani areas and their environs in Nairobi receive customized tricycles (Mobile Vending Units) complete with a lockable storage compartment, an umbrella, two aprons and start up stocks. Prior to this, the Beneficiaries underwent three days training on basic principles of

governance, book keeping and financial management skills that will equip them for the business world. Nairobi was used as a model satellite for this campaign and its success will see the new initiative replicated in other parts of the country.

Kenya Re is carrying out the campaign in partnership with Association for the Physically Disabled of Kenya (APDK).

APDK is charged with the responsibility of identifying, assessing, fabricating the Mobile Vending Units, Training the beneficiaries and conducting a follow up in the campaign. Thus far the campaign has been successful and we look forward to better initiatives in future in support of people living with disabilities in Kenya.

TREE PLANTING

Kenya Re staff led by the Managing Director Mr. Jadhav Mwarania held the annual tree planting day at Kibiko Secondary School in Ngong town, Kajiado County on 21st September 2015. Staff together with the Kibiko Secondary School students planted 1,000 seedlings. So far, the program has seen the Corporation plant 3,000 trees at Kibiko Secondary School since its inception in 2013.

The Corporation encourages schools and other institutions to make the most out of their grounds by planting trees as it helps to create woodland habitat, increase biodiversity and most importantly provides an excellent learning resource from planting the trees, to watching them grow and conserving the environment.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

KENYA REINSURANCE CORPORATION LTD

2015 ANNUAL REPORT & FINANCIAL STATEMENT

	Notes	Long term business 2015 KShs '000	Short term business 2015 KShs '000	Total 2015 KShs '000
INCOME				
Gross Premiums Written		1,281,125	11,779,216	13,060,341
Less: Change In Unearned Premiums	40	-	(549,717)	(549,717)
Less: Retrocession Premiums		(116,816)	(377,730)	(494,546)
Net Earned Premiums	6	1,164,309	10,851,769	12,016,078
Investment Income	7	506,854	2,534,284	3,041,138
Acquisition Cost Recoveries		35,045	5,445	40,490
Fair Value Gains On Revaluation Of Investment Properties	18	100,000	629,599	729,599
Other Income	8	-	248,094	248,094
Share Of Associates Profits	19	-	335,727	335,727
Total Income		1,806,208	14,604,918	16,411,126
OUTGO				
Gross Claims Incurred And Policy Holder Benefits	9	(585,302)	(6,806,422)	(7,391,724)
Less : Re-Insurers Share Of Claims And Policy Holder Benefits	9	36,949	293,165	330,114
Net Claims Incurred		(548,353)	(6,513,257)	(7,061,610)
Cedant Acquisition Costs	10(a)	(414,389)	(2,988,422)	(3,402,811)
Operating And Other Expenses	10(b)	(201,080)	(1,117,870)	(1,318,950)
Provision For Doubtful Debts	24	-	(113,619)	(113,619)
Total Outgo		(1,163,822)	(10,733,168)	(11,896,990)
Profit Before Tax		642,386	3,871,750	4,514,136
Income Tax Expense	11(a)	(223,956)	(735,930)	(959,886)
Profit For The Year		418,430	3,135,820	3,554,250
OTHER COMPREHENSIVE INCOME				
Items That Will Not Be Reclassified Subsequently To Profit Or Loss:				
Share Of Gain On Property Revaluation Of Associate	19	-	344	344
Remeasurement Losses On Defined Benefit Plans	21	-	(210,659)	(210,659)
Items That May Be Reclassified Subsequently To Profit Or Loss:				
Reclassification Adjustment Relating To Available-For-Sale Financial Assets Disposed In The Year	7	-	(202,319)	(202,319)
Net Losses On Revaluation Of Available-For-Sale Financial Assets	27	-	(613,315)	(613,315)
Share Of Movement In Associate Reserves:				
Currency Translation	19	-	(35,896)	(35,896)
Fair Value Reserve	19	-	(60,980)	(60,980)
Total Other Comprehensive Income		-	(1,122,825)	(1,122,825)
Total Comprehensive Income		418,430	2,012,995	2,431,425
Earnings Per Share - Basic and Diluted	12			5.10

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

KENYA REINSURANCE CORPORATION LTD

2015 ANNUAL REPORT & FINANCIAL STATEMENT

	Notes	Long term business 2015 KShs '000	Short term business 2015 KShs '000	Total 2015 KShs '000	Total 2014 KShs '000
INCOME					
Gross premiums written		1,280,417	11,396,212	12,676,629	11,570,090
Less: change in unearned premiums	40	-	(501,421)	(501,421)	(728,192)
Less: retrocession premiums		(116,816)	(377,730)	(494,546)	(528,490)
NET EARNED PREMIUMS	6	1,163,601	10,517,061	11,680,662	10,313,408
Investment income	7	506,854	2,531,274	3,038,128	2,591,935
Acquisition cost recoveries		35,045	5,445	40,490	25,976
Fair value gains on revaluation of investment properties	18	100,000	629,599	729,599	684,798
Other income	8	-	211,120	211,120	144,921
Share of profits associates	19	-	335,727	335,727	275,894
TOTAL INCOME		1,805,500	14,230,226	16,035,726	14,036,932
OUTGO					
Gross claims incurred and policy holder benefits	9	(585,302)	(6,719,223)	(7,304,525)	(6,394,214)
Less : Re-insurers share of claims and policy holder benefits	9	36,949	293,165	330,114	436,674
NET CLAIMS INCURRED		(548,353)	(6,426,058)	(6,974,411)	(5,957,540)
Cedant acquisition costs	10(a)	(414,333)	(2,900,360)	(3,314,693)	(3,017,738)
Operating and other expenses	10(b)	(201,080)	(1,041,218)	(1,242,298)	(1,092,655)
Provision for doubtful debts	24	-	(113,619)	(113,619)	(49,267)
TOTAL OUTGO		(1,163,766)	(10,481,255)	(11,645,021)	(10,117,200)
PROFIT BEFORE TAX		641,734	3,748,971	4,390,705	3,919,732
Income tax expense	11(a)	(223,956)	(733,130)	(957,086)	(782,560)
PROFIT FOR THE YEAR		417,778	3,015,841	3,433,619	3,137,172
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss:					
Share of gain on property revaluation of associate	19	-	344	344	493
Remeasurement (losses) /gain on defined benefit plans	21	-	(210,659)	(210,659)	31,188
Items that may be reclassified subsequently to profit or loss:					
Reclassification adjustment relating to available-for-sale financial assets disposed in the year	7	-	(202,319)	(202,319)	(250,555)
Net (losses) /gain on revaluation of available-for-sale financial assets	27	-	(613,315)	(613,315)	364,123
Share of movement in associate reserves:					
Currency translation	19	-	(35,896)	(35,896)	106,720
Fair value reserve	19	-	(60,980)	(60,980)	28,594
TOTAL OTHER COMPREHENSIVE INCOME		-	(1,122,825)	(1,122,825)	280,563
TOTAL COMPREHENSIVE INCOME		417,778	1,893,016	2,310,794	3,417,735
Earnings per share - basic and diluted	12			4.90	4.48

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2015

KENYA REINSURANCE CORPORATION LTD

2015 ANNUAL REPORT & FINANCIAL STATEMENT

	Note	Long term business 2015 KShs '000	Short term business 2015 KShs '000	Total 2015 KShs '000
EQUITY				
Share capital	13	-	1,749,873	1,749,873
Revaluation reserve	14	-	4,049	4,049
Fair value reserve	14	-	1,034,288	1,034,288
Translation reserve	14	-	269,107	269,107
Statutory reserve	14	2,995,173	-	2,995,173
Retained earnings	14	-	15,880,375	15,880,375
TOTAL EQUITY		2,995,173	18,937,692	21,932,865
ASSETS				
Property and equipment	15	-	68,688	68,688
Intangible assets	16	-	123,419	123,419
Mortgage loans	17	-	648,104	648,104
Investment properties	18	1,300,000	6,725,000	8,025,000
Investment in associate	19	-	3,436,180	3,436,180
Unquoted equity instruments	22	-	202,231	202,231
Corporate bonds	23	-	494,146	494,146
Receivables arising out of reinsurance and retrocession arrangements	24	207,321	2,992,648	3,199,969
Premium and loss reserves	25	-	298,977	298,977
Other receivables	26	-	112,786	112,786
Income tax recoverable	11(c)	-	44,435	44,435
Quoted equity instruments	27	-	2,553,572	2,553,572
Government securities	28	1,553,046	7,633,477	9,186,523
Inventory	30	-	32,846	32,846
Deferred acquisition costs	31	-	1,223,150	1,223,150
Non-current assets held for sale	32	-	28,098	28,098
Deposits with financial institutions	33	3,473,075	2,484,206	5,957,281
Cash and bank balances	34	1,184	317,545	318,729
TOTAL ASSETS		6,534,626	29,419,508	35,954,134
LIABILITIES				
Long term reinsurance contract liabilities	35	2,179,836	-	2,179,836
Short term reinsurance contracts liabilities	36	-	5,166,290	5,166,290
Payables arising out of reinsurance arrangements	37	76,251	436,245	512,496
Employee defined benefit liability	21	-	81,105	81,105
Deferred tax liability	38	1,283,366	(379,248)	904,118
Other payables	39	-	616,830	616,830
Unearned premiums	40	-	4,560,594	4,560,594
TOTAL LIABILITIES		3,539,453	10,481,816	14,021,269
NET ASSETS		2,995,173	18,937,692	21,932,865

The financial statements on pages 35 to 95 were approved by the board of directors on 29th March, 2016 and were signed on its behalf by:



Principal Officer



Director



Director

COMPANY STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2015

KENYA REINSURANCE CORPORATION LTD

2015 ANNUAL REPORT & FINANCIAL STATEMENT

		Long term Business	Short term business	Total	Total
	Notes	2015 KShs '000	2015 KShs '000	2015 KShs '000	2014 KShs '000
EQUITY					
Share capital	13	-	1,749,873	1,749,873	1,749,873
Revaluation reserve	14	-	4,049	4,049	6,965
Fair value reserve	14	-	1,034,288	1,034,288	1,910,902
Translation reserve	14	-	269,107	269,107	305,003
Statutory reserve	14	2,994,521	-	2,994,521	2,576,743
Retained earnings	14	-	15,760,396	15,760,396	13,441,918
TOTAL EQUITY		2,994,521	18,817,713	21,812,234	19,991,404
ASSETS					
Property and equipment	15	-	66,445	66,445	92,647
Intangible assets	16	-	123,419	123,419	93,606
Mortgage loans	17	-	643,290	643,290	714,956
Investment properties	18	1,300,000	6,725,000	8,025,000	7,195,000
Investment in associate	19	-	3,436,180	3,436,180	2,008,062
Investment in Subsidiary	20	-	4,186	4,186	-
Employee defined benefit asset	21	-	-	-	80,437
Unquoted equity instruments	22	-	202,231	202,231	167,113
Corporate bonds	23	-	494,146	494,146	419,134
Receivables arising out of reinsurance and retrocession arrangements	24	207,321	2,651,005	2,858,326	2,222,961
Premium and loss reserves	25	-	233,541	233,541	170,786
Due from related party	43	-	196,805	196,805	-
Other receivables	26	-	93,878	93,878	103,009
Income tax recoverable	11(c)	-	47,235	47,235	-
Quoted equity instruments	27	-	2,553,572	2,553,572	3,256,975
Government securities	28	1,553,046	7,633,477	9,186,523	7,712,401
Property held for sale	29	-	-	-	28,794
Inventory	30	-	32,017	32,017	-
Deferred acquisition costs	31	-	1,183,769	1,183,769	1,148,252
Non-current assets held for sale	32	-	28,098	28,098	28,098
Deposits with financial institutions	33	3,472,423	2,409,186	5,881,609	6,507,244
Cash and bank balances	34	1,184	280,741	281,925	224,776
TOTAL ASSETS		6,533,974	29,038,221	35,572,195	32,174,251
LIABILITIES					
Long term reinsurance contract liabilities	35	2,179,836	-	2,179,836	2,097,681
Short term reinsurance contracts liabilities	36	-	5,077,277	5,077,277	4,518,138
Payables arising out of reinsurance arrangements	37	76,251	300,447	376,698	451,691
Employee defined Benefit liability	21	-	81,105	81,105	-
Deferred tax liability	38	1,283,366	(379,248)	904,118	550,519
Other payables	39	-	733,535	733,535	405,901
Income tax payable	11(c)	-	-	-	148,040
Unearned premiums	40	-	4,407,392	4,407,392	4,010,877
TOTAL LIABILITIES		3,539,453	10,220,508	13,759,961	12,182,847
NET ASSETS		2,994,521	18,817,713	21,812,234	19,991,404

The financial statements on pages 35 to 95 were approved by the board of directors on 29th March, 2016 and were signed on its behalf by:



Principal Officer



Director



Director

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

KENYA REINSURANCE CORPORATION LTD

2015 ANNUAL REPORT & FINANCIAL STATEMENT

	Note	Share capital KShs '000	Revaluation reserve KShs '000	Fair value reserve KShs '000	Translation reserve KShs '000	Statutory reserve KShs '000	Retained reserve KShs '000	Total KShs '000
At 1 January 2015		1,749,873	6,965	1,910,902	305,003	2,576,743	13,441,918	19,991,404
Profit for the year		-	-	-	-	418,430	3,135,820	3,554,250
Other comprehensive income		-	344	(876,614)	(35,896)	-	(210,659)	(1,122,825)
Total comprehensive income		-	344	(876,614)	(35,896)	418,430	2,925,161	2,431,425
Dividends declared – 2014	41	-	-	-	-	-	(489,964)	(489,964)
Transfer of excess depreciation		-	(4,657)	-	-	-	4,657	-
Deferred taxation thereon		-	1,397	-	-	-	(1,397)	-
At 31 December 2015		1,749,873	4,049	1,034,288	269,107	2,995,173	15,880,375	21,932,865

COMPANY STATEMENT OF CHANGE IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

KENYA REINSURANCE CORPORATION LTD

2015 ANNUAL REPORT & FINANCIAL STATEMENT

	Note	Share capital KShs '000	Revaluation reserve KShs '000	Fair value reserve KShs '000	Translation reserve KShs '000	Statutory reserve KShs '000	Retained reserve KShs '000	Total KShs '000
At 1 January 2014		1,749,873	10,973	1,768,740	198,283	2,167,094	11,098,665	16,993,628
Profit for the year		-	-	-	-	409,649	2,727,523	3,137,172
Other comprehensive income		-	493	142,162	106,720	-	31,188	280,563
Total comprehensive income		-	493	142,162	106,720	409,649	2,758,711	3,417,735
Dividends declared – 2013	41	-	-	-	-	-	(419,959)	(419,959)
Transfer of excess depreciation		-	(6,430)	-	-	-	6,430	-
Deferred taxation thereon		-	1,929	-	-	-	(1,929)	-
At 31 December 2014		1,749,873	6,965	1,910,902	305,003	2,576,743	13,441,918	19,991,404
At 1 January 2015		1,749,873	6,965	1,910,902	305,003	2,576,743	13,441,918	19,991,404
• Profit for the year		-	-	-	-	417,778	3,015,841	3,433,619
• Other comprehensive income		-	344	(876,614)	(35,896)	-	(210,659)	(1,122,825)
Total comprehensive income		-	344	(876,614)	(35,896)	417,778	2,805,182	2,310,794
Dividends declared – 2014	41	-	-	-	-	-	(489,964)	(489,964)
Transfer of excess depreciation		-	(4,657)	-	-	-	4,657	-
Deferred taxation thereon		-	1,397	-	-	-	(1,397)	-
At 31 December 2015		1,749,873	4,049	1,034,288	269,107	2,994,521	15,760,396	21,812,234

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

KENYA REINSURANCE CORPORATION LTD

2015 ANNUAL REPORT & FINANCIAL STATEMENT

	Notes	2015 KShs '000
Net cash generated from operations	42	1,686,208
Interest received on corporate bonds		55,709
Interest received on government securities		971,866
Interest received on staff mortgages and loans		11,694
Interest received on deposits with financial institutions		647,915
Interest received on commercial mortgages		77,329
Tax paid in the year	11(c)	(798,762)
Net cash generated from operating activities		2,651,959
Cash flows used in investing activities		
Purchase of investment property	18	(100,401)
Purchase of property and equipment	15	(3,585)
Proceeds on sale of property and equipment		1,046
Proceeds on disposal of inventory property		130,000
Purchase of intangible assets	16	(56,383)
Purchase of unquoted equity instruments	22	(35,118)
Purchase of government securities	28	(1,796,642)
Proceeds on maturity of government securities	28	416,500
Purchase of quoted equity instruments	27	(160,293)
Proceeds on sale of quoted equity instruments	27	250,381
Proceeds on redemption of corporate bonds	23	5,925
Purchase of corporate bonds	23	(80,512)
Dividend received from associate company	19	68,485
Purchase of shares in associate company	19	(1,257,408)
Net cash used in investing activities		(2,618,005)
Cash flows used in financing activities		
Dividends paid	41	(489,964)
Net decrease in cash and cash equivalents		(456,010)
Cash and cash equivalents at 1 January		6,732,020
Cash and cash equivalent at 31 December	34	6,276,010

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

KENYA REINSURANCE CORPORATION LTD

2015 ANNUAL REPORT & FINANCIAL STATEMENT

	Notes	2015 KShs '000	2014 KShs '000
Net cash generated from operations	42	1,578,289	2,269,412
Interest received on corporate bonds		55,709	25,658
Interest received on government securities		971,866	712,803
Interest received on staff mortgages and loans		11,556	10,458
Interest received on deposits with financial institutions		645,043	466,629
Interest received on commercial mortgages		77,329	81,199
Tax paid in the year	11(c)	(798,762)	(459,611)
Net cash generated from operating activities		2,541,030	3,106,548
Cash flows used in investing activities			
Purchase of investment property	18	(100,401)	(51,202)
Purchase of property and equipment	15	(3,096)	(12,912)
Proceeds on sale of property and equipment		3,196	-
Proceeds on disposal of inventory property		130,000	-
Purchase of intangible assets	16	(56,383)	(30,547)
Purchase of unquoted equity instruments	22	(35,118)	(107,148)
Purchase of government securities	28	(1,796,642)	(1,228,541)
Proceeds on maturity of government securities	28	416,500	783,094
Proceeds on disposal of government securities		-	427,000
Purchase of quoted equity instruments	27	(160,293)	(306,895)
Proceeds on sale of quoted equity instruments	27	250,381	373,533
Proceeds on redemption of corporate bonds	23	5,925	5,925
Purchase of corporate bonds	23	(80,512)	(279,288)
Dividend received from associate company	19	68,485	56,579
Investment in subsidiary	20	(4,186)	-
Purchase of shares in associate company	19	(1,257,408)	-
Net cash used in investing activities		(2,619,552)	(370,402)
Cash flows used in financing activities			
Dividends paid	41	(489,964)	(419,959)
Net increase/(decrease) in cash and cash equivalents		(568,486)	2,316,187
Cash and cash equivalents at 1 January		6,732,020	4,415,833
Cash and cash equivalent at 31 December	34	6,163,534	6,732,020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance with International Financial Reporting Standards (IFRS)

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

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

(a) Basis of preparation

The financial statements are prepared on a going concern basis in compliance with International Financial Reporting Standards (IFRSs) and the requirements of the Kenyan Companies Act. The financial statements have been prepared on a historical cost basis, except for available –for sale investments and investment properties which have been measured at fair value and actuarially determined liabilities at their present value. The financial statements are presented in Kenya Shillings (KShs), rounded to the nearest thousand, which is also the functional currency.

The financial statements comprise the statement of profit or loss and other comprehensive income, statements of financial position, statements of changes in equity, statements of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in profit or loss. Other comprehensive income comprises items of income and expenses (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by IFRSs. Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the previous periods. Transactions with the owners of the Group in their capacity as owners are recognised in the statement of changes in equity.

The Group presents its statement of financial position broadly in order of liquidity from the least liquid to the most liquid. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the note

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the accounting policies adopted by the Group. Although such estimates and assumptions are based on the directors' best knowledge of the information available, actual results may differ from those estimates. The judgements and estimates are reviewed at the end of each reporting period, and any revisions to such estimates are recognised in the year in which the revision is made. The areas involving the judgements of most significance to the financial statements, and the sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year, are disclosed in note (2).

(b) Basis of consolidation

(i) Subsidiary

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 December 2015. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Company controls an investee if, and only if, the Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date the control ceases.

All inter-company balances, transactions, income and expenses and profits and losses resulting from inter-company transactions are eliminated in full on consolidation.

Losses within a subsidiary are attributed to the non-controlling interest even if this results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(b) Basis of consolidation (Continued)****(i) Subsidiary (continued)**

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

(ii) The Group financial statements reflect the result of the consolidation of the financial statements of the Company and its wholly owned subsidiary, Kenya Reinsurance Corporation Limited Côte d'Ivoire.

The subsidiary is incorporated in Côte d'Ivoire with effect from 1 January 2015 and the investment into the subsidiary did not meet the definition of a business combination. The operations were carried out by the branch in 2014. As there was no consolidated group at the 2014 year end, no 2014 comparatives have been presented for the group.

The net assets relating to the branch as of 31 December 2014 were transferred to the subsidiary effective 1 January 2015 at their carrying amounts.

The company incorporated a new subsidiary in Zambia, Kenya Reinsurance Corporation Zambia Limited, on 26 November 2015. The new subsidiary did not transact any business in the current year and has therefore not been consolidated in these financial statements

(iii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group's identifiable assets and liabilities are measured at their acquisition-date fair value.

Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are measured at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's net identifiable assets. This accounting policy choice can be made on an individual business combination basis.

Acquisition-related costs are expensed as incurred and included in administrative expenses.

(b) Business combinations and goodwill

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(b) Business combinations and goodwill (continued)**

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the amount recognised for non-controlling interests, and any previous interest held, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the of the acquiree are assigned to those units.

(d) New and amended standards and interpretations

The group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2015. The nature and the impact of each new standard and amendment are described below:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the group, since none of the entities within the group has defined benefit plans with contributions from employees or third parties.

Annual Improvements 2010-2012 Cycle

With the exception of the improvement relating to IFRS 2 Share-based Payment applied to share-based payment transactions with a grant date on or after 1 July 2014, all other improvements are effective for accounting periods beginning on or after 1 July 2014. They include:

(d) New and amended standards and interpretations*IFRS 2 Share-based Payment*

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. The Group has no share based payment and these amendments are not relevant to the Group.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This amendment did not have any impact on the group financial statements.

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

uAn entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar' The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The group has not applied the aggregation criteria in IFRS 8.12. The group has presented the reconciliation of segment assets to total assets in previous periods and continues to disclose the same in this period's financial statements as the reconciliation is reported to the chief operating decision maker for the purpose of his decision making.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(d) New and amended standards and interpretations (continued)****IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets**

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact to the group as the method currently applied is consistent with those allowed by the amendment.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the group as it does not receive any management services from other entities.

Annual Improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and the group has applied these amendments for the first time in these financial statements. They include:-

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that: Joint arrangements, not just joint ventures, are outside the scope of IFRS 3. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The group does not have a joint arrangement, and thus this amendment is not relevant for the group.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Group does not apply the portfolio exception in IFRS 13.

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the group has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment did not impact the accounting policy of the group.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the group's financial statements are disclosed below. The group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory.

For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The group plans to adopt the new standard on the required effective date. Overall, the group expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9.

(i) Classification and measurement

The group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Quoted equity shares currently held as available-for-sale with gains and losses recorded in OCI will be measured at fair value through profit or loss instead, which will increase volatility in recorded profit or loss. The AFS reserve currently in accumulated OCI will

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) New and amended standards and interpretations (continued)

be reclassified to opening retained earnings. Debt securities are expected to be measured at fair value through OCI under IFRS 9 as the Group expects not only to hold the assets to collect contractual cash flows but also to sell a significant amount on a relatively frequent basis. The equity shares in non-listed companies are intended to be held for the foreseeable future. The Group expects to apply the option to present fair value changes in OCI, and, therefore, believes the application of IFRS 9 would not have a significant impact. If the group were not to apply that option, the shares would be held at fair value through profit or loss, which would increase the volatility of recorded profit or loss

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the group expects that these will continue to be measured at amortised cost under IFRS 9. However, the Group will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

(ii) Impairment

IFRS 9 requires the group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The group expects a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

(iii) Hedge accounting

As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, the group does not expect a significant impact as a result of applying IFRS 9. The Group will assess possible changes related to the accounting for the time value of options, forward points or the currency basis spread in more detail in the future if they elect to use hedge accounting.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer, this standard would not apply.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The group is in insurance business and will assess the impact of this standard to its operations.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting.

The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group, since the group has not entered into any joint arrangements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(d) New and amended standards and interpretations (continued)****Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation**

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of assets that are sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively. In December 2015, the IASB postponed the effective date of these amendments. These amendments will not have any impact on the group's financial statements as the group has not entered into such a transaction.

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal group(s)) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively. These amendments will not have any impact on the group's financial statements, but may affect the group in future periods..

*IFRS 7 Financial Instruments: Disclosures***(i) Servicing contracts**

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments. These amendments will not have any impact on the group's financial statements since the group does not have servicing contracts.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements (continued)

This amendment must be applied retrospectively. These amendments will not have any impact on the group's financial statements since it is not required to prepare interim financial statements.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) New and amended standards and interpretations (Continued)

This amendment must be applied prospective. This amendment will not impact the life assurance group as the currency in which the obligation is denominated is same as of the country where the obligation is located and there are no other markets using the same currency that may affect the assessment of appropriate discount rates.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively. These amendments are not expected to have any impact on the group, as the group does not issue interim financial statements.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments may impact the disclosure of the group but are not expected to have any impact on the overall position or performance.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The group is already applying the equity approach when accounting for its investments in associates.

IFRS 16 Leases

The IASB issued IFRS 16 Leases on 13 January 2016. The scope of the new standard includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Key features

- The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions) in a similar way to finance leases under IAS 17.
- Lessees recognise a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately.
- The new standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computer) and short-term leases (i.e., leases with a lease term of 12 months or less).
- Reassessment of certain key considerations (e.g., lease term, variable rents based on an index or rate, discount rate) by the lessee is required upon certain events.
- Lessor accounting is substantially the same as today's lessor accounting, using IAS 17's dual classification approach.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(d) New and amended standards and interpretations (Continued)**

The new standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. The new standard permits a lessee to choose either a full retrospective or a modified retrospective transition approach.

(e) 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 Company defines significant reinsurance risk, as the possibility of having to pay benefits on the occurrence of a reinsured event that is at least 10% more than the benefits payable if the reinsured event did not occur. Reinsurance contracts are classified into two main categories, depending on the duration of risk and as per the provisions of the Kenyan Insurance Act.

(a) Short-term reinsurance business

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

Classes of short term reinsurance include aviation, engineering, fire (domestic risks, industrial and commercial risks), medical, 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 Company'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.
- Medical reinsurance business means the business of underwriting the medical class of business offered by the insurers. This is to the individual or group in-patient or outpatient medical insurances.
- Miscellaneous reinsurance business refers to the business of effecting and carrying out contracts of reinsurance which are not principally or wholly of any types included in other classes of business but include reinsurance of bonds of all types, reinsurance of livestock and crop reinsurance.

(b) Long-term reinsurance business

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

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

Company life reinsurance business refers to the business of, or in relation to, the issuing of or the undertaking of liability under Company 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Reinsurance contracts (Continued)

(ii) Recognition and measurement (Continued)

b. Claims incurred

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

c. Cedant acquisition costs and deferred acquisition costs

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

d. Liability adequacy test

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

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

e. Retrocession contracts held

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

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

The Company assesses its retrocession assets for impairment on a quarterly basis. If there is objective evidence that the retrocession asset is impaired, the Company reduces the carrying amount of the retrocession asset to its recoverable amount and recognises that impairment loss. The Company gathers the objective evidence that a retrocession 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 Company reduces the carrying amount of the reinsurance receivable accordingly and recognises the impairment loss in profit or loss. The Company 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.

Receivables, together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(e) Reinsurance contracts (Continued)****(ii) Recognition and measurement (Continued)****g. Premium and loss reserves**

Premium and loss reserves relate to premiums retained by cedants as a deposit for due KENYA 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 Company at the expiry of the policy period.

h. Other income recognition

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

(f) 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.

Investments in foreign currency denominated subsidiaries are translated into Kenya shillings at the Closing rates with the resulting exchange differences recognised in other comprehensive income.

(g) 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 Company'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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(iv) 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.

(h) 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.

(i) Property and equipment

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

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

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

Depreciation

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

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

Intangible assets 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 Company 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 Company 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(k) 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.

(l) Leases

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

Company as a lessor

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

Company 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.

(m) Inventories

Inventories comprise housing units for sale, stationery items and repair materials. 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.

(n) 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.

(o) 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.

(p) 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 and the foreign denominated subsidiary.

(q) 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.

(r) Investment in associate

Investment in associate is accounted for using the equity method of accounting in both the separate and consolidated financial statements. The associate is a company in which the Company 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Company'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 Company's interest in the associate are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(s) Investment in subsidiaries

Investments in subsidiaries are carried in the Company's separate statement of financial position at cost less provisions for impairment losses. Where in the opinion of directors, there has been impairment in the value of the investment; the loss is recognised as an expense in the period in which the impairment is recognised.

(t) 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 Company becomes party to the contractual provisions of the instrument.

Financial assets

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

Classification

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit making, or if so designated by management. The company has not designated any of its financial assets into this category.

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. These include mortgage loans, receivables arising out of reinsurance and retrocession arrangements, premium and loss reserves, rent receivables, deposits with financial institutions and other receivables. After initial measurement, such financial assets are subsequently measured at amortised cost. The losses arising from impairment are recognised in the statement of profit or loss under provisions for doubtful debts accounts.

Loans and receivables

The Company assesses its loans and receivables for impairment on a quarterly basis. If there is objective evidence that they are impaired, the Company reduces the carrying amount of the assets to its recoverable amount and recognises that impairment loss.

Loans and Receivables, together with the associated allowance are written off when there is no realistic prospect of future. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity.

Were the Company 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, and corporate bonds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(t) Financial instruments (Continued)****Classification (Continued)****Available-for-sale financial assets**

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

Available for sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost less any identified impairment losses at the end of each reporting period. These include the company's unquoted equities.

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 Company 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.

(u) 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.

(v) Retirement benefits obligations**Defined benefit scheme**

The Company 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 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statutory defined contributions scheme

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

Other Employee entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave accrued at the end of the reporting period. These are short term in nature and are settled within 12 months.

Non pensionable employees are entitled to a gratuity. The gratuity is recognised when the benefits accrue to the employees. Gratuity payments are specified lump sum payments paid to employees when the contract comes to an end. The final pay-out is based on the contracted period of service. The expense accruals are recognised in profit or loss and the liability recognised in the statement of financial position.

(w) 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.

(x) Comparatives

Comparative information on the statement of financial position have been re-arranged to reflect the correct liquidity analysis of company's and group's assets and liabilities, that is, from the illiquid asset or liability to the most liquid asset or liability. The notes to the financial statements have been presented into two main categories, the company and the group results, as compared to the previous year where the two main categories were short-term and long-term classes of business for the company. Segmental information is however disclosed in note 5.

In the process of applying the accounting policies adopted by the Group, the directors make certain judgements and estimates that may affect the carrying values of assets and liabilities in the next financial period. Such judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. The directors evaluate these at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available.

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The judgements made by the directors in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Held -to-maturity financial assets

The Group follows the guidance of IAS 39 in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. If the Group were to sell other than an insignificant amount of such investments before maturity, it would be required to classify the entire class as 'available-for-sale' and measure them at fair value. In making this judgment, the Group evaluates its intention and ability to hold such assets to maturity.

If the Group fails to keep these financial assets 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.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE GROUP'S AND COMPANY'S ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Assessment of significant influence over an associate

The Group considers that it has significant influence over Zep –Re Limited though it owns less than the 20% of the voting power of the company. This is because the Group is the single largest shareholder of Zep-Re Limited with a 19.88% (2014: 15.44%) interest of the equity interest. The remaining 80.22% (2014: 84.56) of the equity shares in Zep-Re Limited are widely held by many other shareholders, none of which individually hold more than 14 % of the equity shares (as recorded in the company's shareholders' register from 31 December 2013 to 31 December 2015). The group also has representation in the associate's Board.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

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

Valuation of insurance contract liabilities

Critical assumptions are made by the actuary in determining the present value of actuarial liabilities. The liability for life insurance contracts is either based on current assumptions or on assumptions established at inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group base mortality and morbidity on standard industry and Kenya's mortality tables which reflect historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements, but epidemics, as well as wide ranging changes to life style, could result in significant changes to the expected future mortality exposure.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation adjustments if appropriate.

Lapse and surrender rates are based on the Group's historical experience of lapses and surrenders. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure. Further details are disclosed in note 35 and 36.

Property and equipment

Critical estimates are made by the Group's management, in determining depreciation rates for property and equipment. The rates used are set out in accounting policy in note (i) above.

Receivables

Critical estimates are made by the directors in determining the recoverable amount of receivables. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Equity investment impairment

In assessing whether equity investments classified as available-for-sale has had a 'significant or prolonged' decline in the fair value of the investment below its cost, the Group would benchmark the performance of the investment against its peers, review three years strategic plan and perform in-depth analysis on key identified ratios. Further details are disclosed in note 22.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE GROUP'S AND COMPANY'S ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Impairment losses

At each reporting date, the Group 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. Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for coming years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested.

In assessing whether there is any indication that the tangible and intangible assets may be impaired, the Group considers the following indications:

- a) there are observable indications that the asset's value has declined during the period significantly more than would be expected as a result of the passage of time or normal use.
- b) significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.
- c) market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
- d) the carrying amount of the net assets of the entity is more than its market capitalisation.
- e) evidence is available of obsolescence or physical damage of an asset.
- f) significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.

Revaluation of property and equipment and investment properties

The Group carries certain classes of property and equipment and all its investment properties at fair value, with changes in fair value being recognised in the other comprehensive income. Land and buildings were valued last revalued as at 31 December 2015 on the basis of open market value by independent valuers, Crystal Valuers Limited.

The company's PPE was last revalued as at 31 December 2011 by independent valuers, Gimco Limited. Further details are disclosed in note 18.

Contingent liabilities

The Group is exposed to various contingent liabilities in the normal course of business including a number of legal cases. The Directors evaluate the status of these exposures on a regular basis to assess the probability of the Group incurring related liabilities. However, provisions are only made in the financial statements where, based on the Directors' evaluation, a present obligation has been established. Judgement and assumptions are required in:

- assessing the existence of a present obligation (legal or constructive) as a result of a past event,
- assessing the probability that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- Estimating the amount of the obligation to be paid out.

Further details are disclosed in note 44.

Defined benefit plans (pension benefits)

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE GROUP'S AND COMPANY'S ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details are disclosed in note 21.

Tax

Critical judgements are made by the directors in determining future tax obligations that would arise as a result of the entity entering into certain transactions that would normally attract tax. In particular, management's judgement is required in the estimation of the amount of capital gain tax that would be payable by the entity should it dispose any of its investment properties. These estimates are based on assumptions about a number of factors, which include the likelihood of sale of any of its investment properties, the circumstances that would most likely trigger a sale of its investment properties and the likelihood of the entity being granted an exemption by the revenue authority within the confines of the law due to those factors.

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company'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 Company'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 Company manages key risks:

Reinsurance risk

The Company reinsures all classes of insurance business including accident, engineering, medical 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 Company 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 Company 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 Company also manages these risks through its underwriting strategy and adequate retrocession arrangements and proactive claims handling.

Frequency and severity of claims

Underwriting limits are in place to enforce appropriate risk selection criteria. The Company re-insures to specialist reinsurance companies a proportion of its portfolio or certain types of insurance risk. This serves primarily to:

- reduce the net liability on large individual risks
- obtain greater diversification of insurance risks
- provide protection against large losses

The retrocession arrangements include proportional and non proportional treaties. The expected effect of such retrocession arrangements is that the Company should not suffer total net insurance losses of more than set limits per class of business.

Claims are managed through a dedicated claims management team, with formal claims acceptance limits and appropriate training and development of staff to ensure payment of all genuine claims. Claims experience is assessed regularly and appropriate actuarial reserves are established to reflect up-to-date experience and any anticipated future events. This includes reserves for claims incurred but not yet reported

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

Frequency and severity of claims (continued)

Sources of uncertainty in the estimation of future claim payments

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company 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 Company 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 Company'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 Company'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. There were no significant shifts in the portfolio concentration.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

KENYA REINSURANCE CORPORATION LTD

2015 ANNUAL REPORT & FINANCIAL STATEMENT

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

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

	GROUP	COMPANY	
	2015	2015	2014
	KShs '000	KShs '000	KShs '000
Held to maturity:			
- Government securities	9,186,523	9,186,523	7,712,401
- Corporate bonds	494,146	494,146	419,134
Available for sale			
-Quoted equities	2,553,572	2,553,572	3,256,975
- Unquoted equities	202,231	202,231	167,113
Loans and receivables			
Receivables arising out of reinsurance arrangements	3,199,969	2,858,326	2,222,961
Cash and bank balances	318,729	281,925	224,776
Due from related parties	-	196,805	-
Deposits with financial institutions	5,957,281	5,881,609	6,507,244
Premium and loss reserves	298,977	233,541	170,786
Mortgage loans	648,104	643,290	714,956
Other receivables	101,325	83,278	102,416
Total financial assets	22,960,857	22,615,246	21,498,762
Financial liabilities at amortised cost			
Payables arising out of reinsurance arrangements	512,496	376,698	451,691
Other payables	616,830	733,535	405,901
Total financial liabilities	1,129,326	1,110,233	857,592
Insurance contract liabilities			
Long term liabilities	2,179,836	2,179,836	2,097,681
Short term liabilities	5,166,290	5,077,277	4,518,138
Total insurance contract liabilities	7,346,126	7,257,113	6,615,819

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

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

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

GROUP	Contractual cash flows				
	Carrying amount KShs '000	No stated maturity KShs '000	0-1 years KShs '000 (undiscounted)	1-5 years KShs '000	>5 years KShs '000
31 December 2015					
Financial assets					
Held to maturity:					
- Government bonds	9,186,523	-	413,739	1,055,905	7,716,879
- Corporate bonds	494,146	-	-	-	494,146
Available for sale					
-Quoted equities	2,553,572	2,553,572	-	-	-
- Unquoted equities	202,231	202,231	-	-	-
Loans and receivables					
Deposits with financial institutions	5,957,281	-	5,957,281		
Receivables arising out of reinsurance arrangements	3,199,969	3,199,969	-	-	-
Premium loss reserves	298,977	298,977	-	-	-
Mortgage loans	648,104	-	-	-	648,104
Cash and cash equivalents	6,276,009	-	6,276,009	-	-
Total	28,816,812	6,254,749	12,647,029	1,055,905	8,859,129
Reinsurance liabilities					
Long term liabilities	2,179,836	2,179,836	-	-	-
Short term liabilities	5,166,290	5,166,290	-	-	-
Total	7,346,126	7,346,126	-	-	-
Net gap	21,470,686	(1,091,377)	12,647,029	1,055,905	8,859,129
COMPANY					
31-December 2014					
Held to maturity:					
- Government bonds	9,186,523	-	413,739	1,055,905	7,716,879
- Corporate bonds	494,146	-	-	-	494,146
Available for sale					
-Quoted equities	2,553,572	2,553,572	-	-	-
-Unquoted equities	202,231	202,231	-	-	-
Loans and receivables					
Deposits with financial institutions	5,881,609	-	5,881,609		
Receivables arising out of reinsurance arrangements	2,858,326	2,858,326	-	-	-
Premium loss reserves	233,541	233,541	-	-	-
Mortgage loans	643,290	-	-	-	643,290
Cash and cash equivalents	6,163,534	-	6,163,534	-	-
Total	28,216,772	5,847,670	12,458,882	1,055,905	8,854,315
Reinsurance liabilities					
Long term liabilities	2,179,836	2,179,836	-	-	-
Short term liabilities	5,077,277	5,077,277	-	-	-
Total	7,257,113	7,257,113	-	-	-
Net gap	20,959,659	(1,409,443)	12,458,882	1,055,905	8,854,315

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

COMPANY		Contractual cash flows			
31 December 2015					
Financial assets	Carrying amount KShs '000	No stated maturity KShs '000	0-1 years KShs '000 (undiscounted)	1-5 years KShs '000	>5 years KShs '000
Held to maturity:					
- Government bonds	7,712,401	-	153,150	320,433	7,238,818
- Corporate bonds	419,134	-	-	-	419,134
Available for sale					
-Quoted equities	3,256,975	3,256,975	-	-	-
-Unquoted equities	167,113	167,113	-	-	-
Loans and receivables					
Deposits with financial institutions	6,507,244	-	6,507,244	-	-
Receivables arising out of reinsurance arrangements	2,222,961	2,222,961	-	-	-
Premium loss reserves	170,786	170,786	-	-	-
Mortgage loans	714,956	-	-	-	714,956
Cash and cash equivalents	6,723,020	-	6,723,020	-	-
Total	27,894,590	5,817,835	13,383,414	320,433	8,372,908
Reinsurance liabilities					
Long term liabilities	2,097,681	2,097,681	-	-	-
Short term liabilities	4,518,138	4,518,138	-	-	-
Total	6,615,819	6,615,819	-	-	-
Net gap	21,278,771	(797,984)	13,383,414	320,433	8,372,908

Financial risk

The Company 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 Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The risk management policies established identify and analyse the risks faced by the Company, 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 Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

(a) Liquidity risk

Liquidity risk is current or prospective risk to earnings and capital arising from the Company's failure to meet its maturing obligations when they fall due without incurring unacceptable losses. The Company'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 Company'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 Company continually

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

assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Company 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 Company's financial liabilities. The amounts disclosed in the table below are the contractual discounted cash flows.

	Due on demand KShs '000	Due after 1 Year demand KShs '000	Total KShs '000
31 December 2015 - GROUP			
Long term reinsurance contract liabilities	-	2,179,836	2,179,836
Short term insurance contract liabilities	5,166,290	-	5,166,290
Payables arising out of reinsurance arrangements	436,245	76,251	512,496
Total financial liabilities	5,602,535	2,256,087	7,858,622
31 December 2015 - COMPANY			
Long term reinsurance contract liabilities	-	2,179,836	2,179,836
Short term insurance contract liabilities	5,077,277	-	5,077,277
Payables arising out of reinsurance arrangements	300,447	76,251	376,698
Total financial liabilities	5,377,724	2,256,087	7,633,811
31 December 2014 - COMPANY			
Long term reinsurance contract liabilities	-	2,097,681	2,097,681
Short term insurance contract liabilities	4,518,138	-	4,518,138
Payables arising out of reinsurance arrangements	373,363	78,328	451,691
Total financial liabilities	4,891,501	2,176,009	7,067,510

(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 Company'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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk is managed principally through monitoring interest rate gaps. The board of directors is the monitoring body for compliance with these limits and is assisted by risk management in its day-to-day monitoring activities.

The interest earning financial assets that the Company holds include investments in government securities, mortgage loans and deposits with financial institutions. Re-insurance receivables are not interest bearing. Liabilities under short term insurance contracts are not interest bearing.

The interest rate risk of the above future cash flows is considered to be low primarily because they are at fixed interest rates. A change of 1% in interest rates would have immaterial effects on the future cash flows.

Currency rate risk

The company writes business from a number of countries and as a consequence receives premiums in several currencies. The Company's obligations to, and receivables from the cedants are therefore in these original currencies. The Company is therefore exposed to the exchange rate risk where there is a mismatch between assets and liabilities per currency.

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

The Group's main operations are concentrated in Kenya and its assets and liabilities are reported in the local currency. It has transactions in foreign currency which are mainly denominated in US Dollars.

Foreign exchange risk also arises from commercial transactions, recognized assets and liabilities in foreign currencies such as deposits with financial institutions.

	GROUP	COMPANY	
	2015	2015	2014
	KShs'000	KShs'000	KShs'000
Assets in foreign currencies			
Trade and other receivables	3,126,126	2,784,483	2,280,319
Deposits with financial institutions	622,435	622,435	1,330,057
Cash and bank	137,808	137,808	92,649
Foreign currency assets	3,886,369	3,544,726	3,703,025
Liabilities in foreign currencies Payables	(71,844)	(71,844)	-
Net foreign currency (liability) / asset position	3,814,525	3,472,882	3,703,025

The following table demonstrates the sensitivity to a reasonably possible change in USD, with all other variables held constant, of the Group's and the Company's profit before tax and equity (due to changes in the fair value of monetary assets and liabilities).

		GROUP		COMPANY	
		Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
USD					
2015	Increase in US\$ by 10%	381,453	267,017	347,288	243,102
	Decrease in US\$ by 10%	(381,453)	(267,017)	(347,288)	(243,102)
2014	Increase in US\$ by 10%	-	-	370,303	259,212
	Decrease in US\$ by 10%	-	-	(370,303)	(259,212)

Price risk

The Company is exposed to equity securities price risk as a result of its holdings in equity investments which are listed and traded on the Nairobi Securities Exchange 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 Company has a defined investment policy which sets limits on the Company's exposure to equities both in aggregate terms and by category/share. This policy of diversification is used to manage the Company's price risk arising from its investments in equity securities.

The company's unlisted equities are also subject to price risk however, the company has carried them at cost less any impairment cost. Refer to note 22.

As at the reporting date, the exposure to listed equity securities at fair value was KShs 2.553 Billion. An increase/decrease of 15 % in the value of the listed equity would result in a decrease /increase in profits of KShs 383 million (2014: KShs 489 million)

(c) Credit risk

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

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

- amounts due from reinsurers in respect of claims already paid;
- amounts due from cedants;

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**(c Credit risk (Continued))**

- amounts due from re-insurance intermediaries;
- mortgage advances to its customers and staff;
- government and corporate bonds;
- deposits with financial institutions;
- cash and bank balances.

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

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

The Company 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 Company. Management information reported to the board of directors includes details of provisions for impairment on amounts due from cedants and subsequent write-offs.

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

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

	GROUP	COMPANY	
	2015	2015	2014
	KShs'000	KShs'000	KShs'000
Held to maturity instruments			
Government securities	9,186,523	9,186,523	7,712,401
Corporate bonds	494,146	494,146	419,134
Loans and receivables at amortized cost:			
Deposits with financial institutions	5,957,281	5,881,609	6,507,244
Mortgage loans (note 17)	648,104	643,290	714,956
Receivables arising out of reinsurance arrangements	3,199,969	2,858,326	2,222,961
Premium and loss reserves (note 25)	298,977	233,541	170,786
Cash and bank balances	318,729	281,964	224,776
Other receivables	112,786	93,878	103,009
Total assets bearing credit risk	20,216,515	19,693,277	18,075,267
Receivables arising out of reinsurance arrangements are summarized as follows:			
Neither past due nor impaired	506,233	340,427	700,466
Past due but not impaired:			
-up to 91 to 365 days	2,094,108	2,007,366	1,036,163
-up to 1 to 2 years	599,628	510,533	486,332
Impaired	640,846	640,846	1,173,420
	3,840,815	3,499,172	3,396,381
Less: provision for impairment (note 24)	(640,846)	(640,846)	(1,173,420)
Total	3,199,969	2,858,326	2,222,961

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

KENYA REINSURANCE CORPORATION LTD

2015 ANNUAL REPORT & FINANCIAL STATEMENT

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

(c Credit risk (Continued))

The accounts under the fully performing category are paying their debts as they continue trading. The default rate is low.

Credit control department actively monitors overdue account balances. In addition, the Group settles claims on a net basis i.e. net of any re-insurance receivables due from cedants. An impairment analysis is performed at each reporting date on an individual basis.

The debt that is impaired has been fully provided for. The maximum exposure to credit risk at the reporting date is the carrying amount.

Refer to note 17 and 25 for impairment analysis of mortgage loans and premiums and loss reserves respectively.

(i) Financial instruments not measured at fair value

The following fair value disclosures have been made in respect of quoted Government securities and quoted corporate bonds which have been carried at amortised cost. The carrying amounts of the remaining financial instruments i.e cash and bank and receivables, approximate their fair values hence no fair value disclosures have been made.

	Level 1 KShs '000	Level 2 KShs '000	Level 3 KShs '000	Total KShs '000
At 31 December 2015 - GROUP				
Government securities	8,161,130	-	-	8,161,130
Corporate bonds	467,099	-	-	467,099
At 31 December 2015 -COMPANY				
Government securities	8,161,130	-	-	8,161,130
Corporate bonds	467,099	-	-	467,099
At 31 December 2014 -COMPANY				
Government securities	7,783,513	-	-	7,783,513
Corporate bonds	405,725	-	-	405,725

(ii) Fair value hierarchy

IFRS 13 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 Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

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

	Level 1 KShs '000	Level 2 KShs '000	Level 3 KShs '000	Total KShs '000
At 31 December 2015 - GROUP				
Quoted equity instruments	2,553,572	-	-	2,553,572
Property and equipment	-	-	68,688	68,688
Investment properties	-	-	8,025,000	8,025,000
At 31 December 2015 - COMPANY				
Quoted equity instruments	2,553,572	-	-	2,553,572
Property and equipment	-	-	66,445	66,445
Investment properties	-	-	8,025,000	8,025,000

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**At 31 December 2015 - COMPANY**

	Level 1 KShs '000	Level 2 KShs '000	Level 3 KShs '000	Total KShs '000
Financial assets				
Quoted equity instruments	3,256,975	-	-	3,256,975
Corporate bonds	419,134	-	-	419,134
Property and equipment			92,647	92,647
Investment properties	-	-	7,195,000	7,195,000

The management assessed that the fair values of cash and short-term deposits, re-insurance receivables, other receivables, re-insurance payables, treasury bills and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December 2015 and 2014

Technique unobservable inputs (weighted average)	Valuation Significant Range		
Investment properties	Sales comparison approach	Price per acre isa similar location	KShs 500 million - KShs 800 million
	Income capitalization approach	Rental income per square meter	KShs 750- Kshs 1,000 per square metre
		Estimated costs associated with maintaining the building	-
	Cost approach	Depreciated replacement cost of a similar building	-
Property and equipment	Depreciated replacement cost for plant and machinery	Capital expenditure on a similar asset	-

(i) Fair value hierarchy

- The valuation of investment properties was last carried out by Crystal Valuers Limited, professional independent valuers as at 31 December 2015.
- The valuation of property and equipment was last carried out by Gimco Valuers Limited, professional independent valuers as at 31 December 2011.

4. CAPITAL MANAGEMENT

Capital includes ordinary shares and equity attributable to the shareholders of the company.

Externally imposed capital requirements are set and regulated by the Insurance Regulatory Authority (IRA). These requirements are put in place to ensure solvency margins are maintained in the insurance industry. Further objectives are set by the company to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximise shareholders value.

4. CAPITAL MANAGEMENT (continued)

Further, the company currently has a paid up capital of KShs 1.75 billion for the combined composite business, which meets the minimal requirement of KShs 800 million as per the Insurance Act.

As at 31 December 2015, the company had complied with the externally imposed capital requirements.

The Company'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 Company 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 Company 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 Company manages as capital all items that are eligible to be treated as capital. The Company has no borrowings.

During the year the Company 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 Company 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 Company'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 Company life. These segments are the basis on which the CODM allocates resources and assesses performance. Investment and cash management for the Company'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 Group's main geographical segment of business is in Kenya.

The management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

5. SEGMENTAL REPORTING (continued)

The various products and services that the reporting segments derive their revenues from have been described as follows.

	GROUP	COMPANY	
	2015	2015	2014
	KShs'000	KShs'000	KShs'000
Gross earned premiums			
General insurance business	11,779,216	11,396,212	10,460,149
Life business	1,281,125	1,280,417	1,109,941
	13,060,341	12,676,629	11,570,090
Investment income:			
General insurance business			
Rental income from investment properties	583,243	583,243	551,912
Interest on Government securities held to maturity	897,080	897,080	724,954
Realised accumulated fair value gain on available for sale quoted equity instruments	225,938	225,938	250,555
Realised (loss)/ gain on sale of available for sale quoted equity instruments	(23,619)	(23,619)	12,895
Dividends receivable on available for sale quoted equity instruments	112,350	112,350	109,543
Interest on commercial mortgages	77,329	77,329	81,199
Interest on deposits with financial institutions- held to maturity	492,929	490,057	312,601
Interest on corporate bonds- held to maturity	56,134	56,134	25,658
Profit on sale of non-current asset held for sale	102,110	102,110	-
Interest on staff mortgages and loans	11,694	11,556	10,458
Capital gain on disposal of government securities	-	-	56,400
	2,535,188	2,532,178	2,136,175
Life assurance business			
Rental income from investment properties	163,130	163,130	159,886
Interest on Government securities held to maturity	188,738	188,738	141,846
Interest on deposits with financial institutions- held to maturity	154,986	154,986	154,028
	506,854	506,854	455,760
	3,042,042	3,039,032	2,591,935

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

KENYA REINSURANCE CORPORATION LTD

2015 ANNUAL REPORT & FINANCIAL STATEMENT

5. SEGMENTAL REPORTING (continued)

Other disclosures:

GROUP	General Insurance business KShs'000	Life Assurance business KShs'000	Total 2015 KShs'000
31-Dec-15			
Reportable segment profits after tax	3,135,820	418,430	3,554,250
Reportable segment total assets	29,423,694	6,534,626	35,958,320
Less:			
: Investment in subsidiaries	(4,186)	-	(4,186)
Reportable segment total assets-Net	29,419,508	6,534,626	35,954,134
Reportable segment total liabilities	10,481,816	3,539,453	14,021,269
Less:			
: related party balances	-	-	-
Net	10,481,816	3,539,453	14,021,269
Fees and commission income	35,045	5,445	40,490
Depreciation of property and equipment	22,716	4,686	27,402
Amortisation of intangible assets	22,023	4,547	26,570
Property and equipment additions	3,655	-	3,655
Intangible assets additions	56,383	-	56,383
COMPANY	General Insurance business KShs'000	Life Assurance business KShs'000	Total 2015 KShs'000
31-Dec-15			
Reportable segment profits after tax	3,015,841	417,778	3,433,619
Reportable segment total assets	29,239,212	6,533,974	35,773,186
Less:			
: Related party balances	(196,805)	-	(196,805)
: Investment in subsidiaries	(4,186)	-	(4,186)
Reportable segment total assets-Net	29,038,221	6,533,974	35,572,195
Reportable segment total liabilities	10,346,154	3,539,453	13,885,607
Less: related party balances	(125,646)	-	(125,646)
Net	10,220,508	3,539,453	13,759,961
Fees and commission income	35,045	5,445	40,490
Depreciation of property and equipment	22,387	4,618	27,005
Amortisation of intangible assets	22,023	4,547	26,570
Property and equipment additions	3,096	-	3,096
Intangible assets additions	56,383	-	56,383

5. SEGMENTAL REPORTING (continued)

COMPANY	General Insurance business KShs'000	Life Assurance business KShs'000	Total 2015 KShs'000
31-Dec-14			
Reportable segment profits after tax	2,727,523	409,649	3,137,172
Reportable segment total assets	26,243,009	5,931,242	32,174,251
Less:			
: Related party balances	-	-	-
Reportable segment total assets-Net	26,243,009	5,931,242	32,174,251
Reportable segment total liabilities	8,834,745	3,354,499	12,189,244
Less: Related party balances	6,397		6,397
Net	8,828,348	3,354,499	12,182,847
Fees and Commission Income	475	25,501	25,976
Depreciation of property and equipment	27,472	5,667	33,139
Amortisation of intangible assets	1,264	261	1,525
Property and equipment additions	12,912	-	12,912
Intangible assets additions	30,547	-	30,547

6. NET EARNED PREMIUMS

The Company 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 Company, analysed into several sub-classes of business based on the nature of the assumed risks.

The net earned premiums of the Company can be analysed between the main classes of business as shown below:

	GROUP	COMPANY	
	2015	2015	2014
	KShs'000	KShs'000	KShs'000
Super annuation	1,090,851	1,090,148	906,521
Ordinary life	73,459	73,455	107,885
Motor	519,433	502,117	499,613
Fire	3,678,015	3,480,352	2,394,397
Theft	572,156	565,090	608,470
Personal accident	1,461,196	1,450,261	1,803,292
Engineering	705,301	669,260	682,628
Marine	638,171	595,964	606,040
Medical	2,219,663	2,219,663	1,605,874
Other	1,057,833	1,034,352	1,098,688
	12,016,078	11,680,662	10,313,408

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

KENYA REINSURANCE CORPORATION LTD

2015 ANNUAL REPORT & FINANCIAL STATEMENT

7. INVESTMENT INCOME

	GROUP	COMPANY	
	2015	2015	2014
	KShs'000	KShs'000	KShs'000
Rental income from investment properties	746,373	746,373	711,798
Interest on Government securities held to maturity	1,085,818	1,085,818	866,800
Reclassification from equity of accumulated fair value gain on available for sale quoted equity instruments	225,938	225,938	250,555
Realised (loss) /gain on sale of available for sale quoted equity instruments	(23,619)	(23,619)	12,895
Dividends receivable on available for-sale quoted equity instruments	112,350	112,350	109,543
Interest on commercial mortgages	77,329	77,329	81,199
Interest on deposits with financial institutions – held to maturity	647,915	645,043	466,629
Interest on corporate bonds – held to maturity	56,134	56,134	25,658
Profit on sale of inventory property	101,206	101,206	10,458
Interest on staff mortgages and loans	11,694	11,556	56,400
Capital gain on disposal of government securities	-	-	-
Total investment income	3,041,138	3,038,128	2,591,935

8. OTHER INCOME

	GROUP	COMPANY	
	2015	2015	2014
	KShs'000	KShs'000	KShs'000
COMESA Yellow Card income	32,520	32,521	21,770
Net foreign exchange gains	200,632	163,866	63,405
Gain on disposal of property and equipment	904	904	-
Miscellaneous income*	14,038	13,829	59,746
	248,094	211,120	144,921

* Miscellaneous income relates to the total of net interest on obligation and current service cost in the defined benefit scheme and income from hire of promotional space.

9. CLAIMS INCURRED

	GROUP	COMPANY	
CLAIMS INCURRED	2015	2015	2014
	KShs'000	KShs'000	KShs'000
Claims paid	6,661,418	6,574,219	5,575,466
Changes in the provision for outstanding claims	648,151	648,151	815,424
Increase in actuarial liability	82,155	82,155	3,324
Gross claims incurred	7,391,724	7,304,525	6,394,214
Less: Amounts recoverable from retrocessionaires	(330,114)	(330,114)	(436,674)
Net claims incurred	7,061,610	6,974,411	5,957,540

10. (a) CEDANT ACQUISITION COSTS

	GROUP	COMPANY	
	2015	2015	2014
	KShs'000	KShs'000	KShs'000
Super annuation	40,623	40,566	49,411
Ordinary life	373,765	373,767	284,655
Motor	45,758	44,728	55,892
Fire	1,083,327	1,031,216	976,340
Theft	191,738	189,876	209,526
Personal accident	417,852	414,868	396,516
Engineering	233,715	222,305	220,857
Marine	194,156	182,188	180,169
Medical	488,606	488,606	387,694
Other	333,271	326,572	256,678
	3,402,811	3,314,693	3,017,738

10. (b) OPERATING AND OTHER EXPENSES

	GROUP	COMPANY	
	2015	2015	2014
	KShs'000	KShs'000	KShs'000
Staff costs (note 10(c))	555,823	528,199	396,967
Depreciation (note 15)	27,402	27,005	33,139
Amortisation (note 16)	26,570	26,570	1,525
Auditors' remuneration	7,085	7,085	6,498
Directors' – emoluments	12,218	12,218	12,807
Directors' – fees	6,000	6,000	6,004
Mortgages provisions	9,096	9,096	-
Annual General Meeting expenses	21,371	21,371	11,824
Fines and penalties	-	-	6,983
Investment property direct operating expenses	178,635	178,636	204,766
Travel and accommodation	84,023	80,576	53,331
Advertisement	10,689	10,689	15,797
Professional and consultancy fees	99,135	99,029	128,209
Rent and rates	12,529	12,075	3,519
Hardware and software maintenance	52,453	52,367	23,793
Donations, sponsorship and CSR activities	10,730	10,730	27,712
Bank charges	19,229	18,555	9,597
Taxation expenses in Côte d'Ivoire	24,938	-	17,994
Provision for unreconciled differences	84,738	68,939	-
Other expenses (note 10(d))	76,286	73,158	132,190
	1,318,950	1,242,298	1,092,655

10.(c) STAFF COSTS

	GROUP	COMPANY	
	2015	2015	2014
	KShs'000	KShs'000	KShs'000
Salaries and wages	328,824	312,936	287,457
Retirement benefit costs (note 21)	-	-	1,395
Medical expenses	22,773	23,210	19,407
Leave allowance	40,882	37,625	22,274
National social security benefit costs	1,137	265	1,045
Gratuity accrual *	20,488	18,932	-
Bonus	69,153	68,919	10,913
Staff welfare expenses	18,882	17,215	14,739
Training and recruitment	17,695	17,091	14,023
Leave pay provision	8,430	8,772	4,938
Pension contributions to defined contribution scheme	27,559	23,234	20,776
	555,823	528,199	396,967

10.(d) OTHER EXPENSES

Motor vehicle running expenses	3,956	3,789	3,323
General office expenses	17,029	14,483	17,213
Marketing expenses	23,020	22,656	10,667
Corporate and other sundry expenses	32,282	32,230	100,988
	76,286	73,158	132,190

11. TAXATION

	GROUP	COMPANY	
	2015	2015	2014
	KShs'000	KShs'000	KShs'000
a) Current tax on the taxable profit for the year	606,287	603,487	567,195
Prior year over provision	-	-	(17,952)
Tax penalties	-	-	17,276
	606,287	603,487	566,519
Deferred taxation charge (note 38)			
- Current year	353,599	353,599	280,785
- Prior year under provision	-	-	(64,744)
	353,599	353,599	216,041
	959,886	957,086	782,560

11. TAXATION (continued)

(b) The Company'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:

	GROUP	COMPANY	
	2015	2015	2014
	KShs'000	KShs'000	KShs'000
Profit before taxation	4,514,136	4,390,705	3,919,732
Tax applicable	1,320,012	1,317,212	1,175,920
Tax effects of non-taxable income	(431,142)	(431,142)	(398,347)
Tax effect of non-deductible expenses	75,309	75,309	70,407
Tax penalty	-	-	17,276
Prior year over provision- current tax	(3,124)	(3,124)	(17,952)
Prior year under provision- deferred tax	(1,169)	(1,169)	(64,744)
	959,886	957,086	782,560
Long term business	223,956	223,956	212,750
Short term business	735,930	733,130	569,810
Total	959,886	957,086	782,560

(c) Taxation recoverable) / payable

	GROUP	COMPANY	
	2015	2015	2014
	KShs'000	KShs'000	KShs'000
At 1 January	148,040	148,040	41,132
Charge for the year	606,287	603,487	566,519
Paid in the year	(798,762)	(798,762)	(459,611)
At 31 December	(44,435)	(47,235)	148,040

12. EARNINGS PER SHARE (EPS)

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.

	GROUP	COMPANY	
	2015	2015	2014
	KShs'000	KShs'000	KShs'000
Profit attributable to shareholders	3,554,250	3,433,619	3,137,172
Weighted average number of ordinary shares in issue	699,949	699,949	699,949
Basic and diluted earnings per share	5.10	4.90	4.48

There were no potentially dilutive shares outstanding at 31 December 2015 and 2014. The diluted earnings per share is therefore the same as the basic earnings per share.

13. SHARE CAPITAL

		2015	2014
		KShs'000	KShs'000
(i) Authorized: share capital			
800,000,000 ordinary shares of KShs 2.50 each		2,000,000	2,000,000
	Number of shares	2015	2014
		KShs'000	KShs'000
(ii) Issued and fully paid			
At 31 December	699,949,068	1,749,873	1,749,873

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

KENYA REINSURANCE CORPORATION LTD

2015 ANNUAL REPORT & FINANCIAL STATEMENT

14. 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 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 and cumulative foreign exchange movement on the subsidiary.

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 Company, except for cumulative fair value gains on the Company's investment properties amounting to KShs 5,201,315,259 (2014: KShs 4,516,517,259) whose distribution is subject to restrictions imposed by legislation.

15. PROPERTY AND EQUIPMENT

GROUP	Motor Vehicles KShs'000	Computers KShs'000	Furniture and equipment KShs'000	Capital W.I.P KShs'000	Total KShs'000
COST OR VALUATION					
At 1 January 2015	15,005	79,175	94,219	-	188,399
Additions	-	2,345	760	550	3,655
Transfer		7	(7)	-	-
Exchange difference adjustment	51	25	(89)	-	(13)
Disposal	(1,800)	(220)	-	-	(2,020)
At 31 December 2015	13,256	81,332	94,883	550	190,021
COMPRISING					
Cost	11,456	58,122	87,092	550	157,220
Valuation – 2008	1,800	-	-	-	1,800
Valuation – 2011	-	23,210	7,791	-	31,001
	13,256	81,332	94,883	550	190,021
DEPRECIATION					
At 1 January 2015	10,368	42,343	43,041	-	95,752
Charge for the year	1,747	13,811	11,844	-	27,402
Transfer	-	3	(3)	-	-
Exchange difference adjustment	51	1	5	-	57
Disposal	(1,800)	(78)	-	-	(1,878)
At 31 December 2015	10,366	56,080	54,887	-	121,333
NET CARRYING AMOUNT					
At 31 December 2015	2,890	25,252	39,996	550	68,688
NET CARRYING AMOUNT AT COST					
At 31 December 2015	2,890	20,039	39,047	-	61,976

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.

15. PROPERTY AND EQUIPMENT (continued)

COMPANY COST OR VALUATION	Motor Vehicles KShs'000	Computers KShs'000	Furniture and equipment KShs'000	Capital W.I.P KShs'000	Total KShs'000
At 1 January 2014	11,240	74,470	89,777	-	175,487
Additions	3,765	4,705	4,442	-	12,912
At 31 December 2014	15,005	79,175	94,219	-	188,399
At 1 January 2015	15,005	79,175	94,219	-	188,399
Additions		2,283	760	53	3,096
Transfers*	(2,217)	(366)	(2,309)	-	(4,892)
Disposal	(1,800)	(221)	-	-	(2,021)
At 31 December 2015	10,988	80,871	92,670	53	184,582
COMPRISING					
Cost	9,188	57,561	84,879	53	151,681
Valuation – 2008	1,800	-	-	-	1,800
Valuation – 2011	-	23,310	7,791	-	31,101
	10,988	80,871	92,670	53	184,582
DEPRECIATION					
At 1 January 2014	7,515	23,605	31,493	-	62,613
Charge for the year	2,853	18,738	11,548	-	33,139
At 31 December 2014	10,368	42,343	43,041	-	95,752
At 1 January 2015	10,368	42,343	43,041	-	95,752
Charge for the year	1,747	13,718	11,540	-	27,005
Transfers*	(2,217)	(141)	(384)	-	(2,742)
Disposal	(1,800)	(78)	-	-	(1,878)
At 31 December 2015	8,098	55,842	54,197	-	118,137
NET CARRYING AMOUNT					
At 31 December 2015	2,890	25,029	38,473	53	66,445
At 31 December 2014	4,637	36,832	51,178	-	92,647
NET CARRYING AMOUNT					
AT COST					
At 31 December 2015	2,890	19,946	38,952	-	61,788
At 31 December 2014	4,189	31,394	46,781	-	82,364

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. *Relates to the transfer of assets to Kenya Reinsurance Corporation Cote d'Ivoire at net book values.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

KENYA REINSURANCE CORPORATION LTD

2015 ANNUAL REPORT & FINANCIAL STATEMENT

16. INTANGIBLE ASSETS

GROUP	Intangible assets KShs'000	Capital WIP KShs'000	Total KShs'000
COST			
At 1 January 2015	42,242	88,787	131,029
Additions	56,383		56,383
Transfers	88,787	(88,787)	-
At 31 December 2015	187,412	-	187,412
AMORTISATION			
At 1 January 2015	37,423	-	37,423
Charge for the year	26,570	-	26,570
At 31 December 2015	63,993	-	63,993
NET CARRYING AMOUNT			
At 31 December 2015	123,419	-	123,419

COMPANY	Intangible assets KShs'000	Capital WIP KShs'000	Total KShs'000
COST			
At 1 January 2015	42,242	88,787	131,029
Additions	56,383	-	56,383
Transfers	88,787	(88,787)	-
At 31 December 2015	187,412	-	187,412
AMORTISATION			
At 1 January 2015	37,423	-	37,423
Charge for the year	26,570	-	26,570
At 31 December 2015	63,993	-	63,993
NET CARRYING AMOUNT			
At 31 December 2015	123,419	-	123,419
COST			
At 1 January 2014	40,603	59,879	100,482
Additions	1,639	28,908	30,547
At 31 December 2014	42,242	88,787	131,029
AMORTISATION			
At 1 January 2014	35,898	-	35,898
Charge for the year	1,525	-	1,525
At 31 December 2014	37,423	-	37,423
NET CARRYING AMOUNT			
At 31 December 2014	4,819	88,787	93,606

Intangible assets relate to purchased computer software and licenses.

17. MORTGAGE LOANS

	GROUP	COMPANY	
	2015	2015	2014
	KShs'000	KShs'000	KShs'000
Staff mortgages	234,067	229,253	217,754
Commercial mortgages	534,058	534,058	608,127
	768,125	763,311	825,881
Less: impairment provision	(120,021)	(120,021)	(110,925)
	648,104	643,290	714,956
Maturity analysis			
Within 1 year	667	667	6,150
Within 1 to 5 years	122,131	122,131	212,358
Over 5 years	525,306	520,492	496,448
	648,104	643,290	714,956
Impairment provision analysis			
Balance brought forward	110,925	110,925	102,412
Additional provision	9,096	9,096	8,513
Balance carried forward	120,021	120,021	110,925

The weighted average effective interest rate on the mortgages was 11.63% (2014 – 11.35 %). mortgages loans are fully secured.

18. INVESTMENT PROPERTIES

	GROUP	COMPANY	
	2015	2015	2014
	KShs'000	KShs'000	KShs'000
At fair value			
At 1 January	7,195,000	7,195,000	6,459,000
Additions	100,401	100,401	51,202
Fair value gain	729,599	729,599	684,798
At 31 December	8,025,000	8,025,000	7,195,000

- (i) The revalued properties consist of office properties situated in Nairobi and Kisumu 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 Crystal Valuers Limited, professional independent valuers as at 31 December 2015.
- (iii) Fair value of the properties was determined using the open market value method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific property.
- (iv) Valuations are performed on an annual basis and the fair value gains and losses are recorded within the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

KENYA REINSURANCE CORPORATION LTD

2015 ANNUAL REPORT & FINANCIAL STATEMENT

19. INVESTMENT IN ASSOCIATE – GROUP AND COMPANY

The group has a 19.88% interest in ZEP-Re (PTA Reinsurance) Company, a reinsurance company that underwrites all classes of life and non-life reinsurance risks. ZEP Re Limited is a private entity that is not listed on any public exchange. The Group's interest ZEP Re Limited is accounted for using the equity method in the both separate and consolidated financial statements.

	2015 KShs '000	2014 KShs '000
At 1 January	2,008,062	1,652,940
Share of profit for the year	335,727	275,894
Less dividends received*	(68,485)	(56,579)
	2,275,304	1,872,255
Share of revaluation reserve	344	493
Share of fair value reserve	(60,980)	28,594
Currency translation adjustment	(35,896)	106,720
Investment in the year	1,257,408	-
	1,160,876	135,807
Group's carrying amount of the investment	3,436,180	2,008,062

Summary financial information for ZEP-Re

The presentation and functional currency for ZEP-Re is US Dollars. The following exchange rates have been applied in converting the balances to Kenya shillings:

	2015 KShs '000	2014 KShs '000
Closing rate	102.31	90.60
Average rate	98.59	87.92
Ownership	19.88%	15.44%
		493

Summary financial information for ZEP-Re

	2015 KShs '000	2014 KShs '000
Total assets	31,355,867	23,123,406
Total liabilities	(14,075,138)	(10,114,759)
Net assets	17,280,729	13,008,647
Group's share of net assets of associate	3,436,180	2,008,062
Profit before taxation	1,901,013	1,644,676
Taxation*	-	-
Profit for the year	1,901,013	1,644,676
Group's share of profit for the year	335,727	275,894

* The associate company is exempt from all forms of taxation.

20. INVESTMENT IN SUBSIDIARIES -COMPANY

Details of the company's subsidiary at the end of the reporting year are as follows:

	Proportion of ownership interest and voting power held at 2015	2014	2015 KShs '000	2014 KShs '000
Investment at cost:				
Kenya Reinsurance Corporation				
Côte d'Ivoire	100%	-	4,186	-

The primary business of Kenya Reinsurance Corporation Cote d'Ivoire is reinsurance. The subsidiary is incorporated in Côte d'Ivoire with effect from 1 January 2015. The operations were carried out by the branch in 2014.

21. RETIREMENT BENEFIT OBLIGATION

Defined benefit scheme

The Group operates a defined benefit pension plan for some of its employees. The Group's defined benefit pension plan is a final salary plan for its employees, which requires contributions to be made to a separately administered fund.

The Fund is registered under irrevocable trust with the Retirement Benefits Authority, which requires final salary payments to be adjusted for the consumer price index upon payment during retirement. The Retirement Benefits Act, 1997 and the Regulations under the Act require the Fund to maintain a funding level of 100%. Where the funding level is below 100%, such deficits are required to be amortised over a period not exceeding 6 years.

The level of benefits provided depends on the member's length of service and salary at retirement age. Scheme members' contributions are a fixed percentage of pensionable pay with the Corporation responsible for the balance of the cost of benefits accruing.

The Fund is managed by a Board of Trustees. The Board of Trustees is responsible for the overall operation and investments of the Fund. The Board of Trustees decides the investment portfolio mix based on the results of this annual review. Generally, it aims to have a portfolio mix of a variety of asset classes comprising quoted equities, government securities, property and shares

The weighted average duration of the liability as at 31 December 2015 is 3.8 (2014: 3.9) .

During the reading of the budget statement for 2015/2016 by the Cabinet Secretary, National Treasury, amendments to the Retirement Benefit Regulations were announced. One of the amendments made was to clarify the distribution of surplus on wind up of a defined benefit Fund. The regulations now provide for an equal 50/50 sharing of surplus between members and the Fund sponsor upon wind up of a Fund

Effective 30 September 2010, the Fund was closed to new entrants and to future accrual of benefits and a new defined contribution plan ('DC Plan') was established in respect of new entrants and existing in-service members who opted to join the new DC Plan. As part of the terms of closure of the Fund, active in-service members and pensioners (including deferred pensioners) were entitled to annual pension increases of 3% per annum. Further, for existing in-service members, members' pensionable salaries for the purpose of determining their retirement or earlier benefits will increase at the lower of the actual increase granted and 5% per annum

The major categories of plan assets of the fair value of the total plan assets are, as follows:

Asset Class	Amount Kshs	Proportion %	Amount Kshs	Proportion %
Quoted equities	86,350	20.1	121,400	21
Fixed deposits, commercial papers and government bonds	301,736	70.1	261,000	46
Employer contribution	41,600	9.7	-	-
Net current assets	467	0.1	42,900	8
Properties & and Other Fixed Assets	-	-	147,100	25
Total	430,153	100%	572,400	100

Sensitivity of the Scheme:

The scheme is more sensitive to changes in the financial assumptions than changes in the demographic assumptions. In assessing sensitivity analysis of the scheme to the discount rate used, the duration of the liability was considered. The results of the sensitivity analysis are summarized in the table below:

	Current Discount Rate (14% per annum)	Discount Rate less 1% (13% per annum)
Present Value of Obligation at 31 December 2015	KShs 511.3 million	KShs 530.8 million

As the bulk of the benefits payable under the Fund are salary related, the sensitivity of the liability to a change in the salary escalation assumption is not expected to be materially different. However, the impact of a change in salary escalation is expected to be less than the impact of a change in the discount rate as a portion of the liabilities would not be affected by a change in the salary escalation rate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

KENYA REINSURANCE CORPORATION LTD

2015 ANNUAL REPORT & FINANCIAL STATEMENT

	GROUP	COMPANY	
	2015	2015	2014
	KShs '000	KShs '000	KShs '000
Present value of funded obligations	(511,258)	(511,258)	(492,234)
Fair value of scheme assets	430,153	430,153	572,671
Net asset in the statement of financial position	(81,105)	(81,105)	80,437
Movement in present value of funded obligation:			
As at 1 January	492,234	492,234	474,539
Current service costs	5,761	5,761	4,741
Interest cost	64,430	64,430	56,431
Actuarial (gain)/loss	(15,450)	(15,450)	(16,278)
Benefits payment	(35,717)	(35,717)	(27,199)
At 31 December	511,258	511,258	492,234
Movement in fair value of assets			
As at 1 January	572,671	572,671	483,583
Expected return on assets	77,708	77,708	59,777
Actuarial (loss) / gain	(226,109)	(226,109)	14,910
Employer contributions	41,600	41,600	41,600
Benefit payments	(35,717)	(35,717)	(27,199)
At 31 December	430,153	430,153	572,671
Movement in net assets			
As at 1 January	80,437	80,437	9,044
Net expense recognised in profit or loss	7,517	7,517	(1,395)
Net (charge) / credit recognised in other comprehensive income	(210,659)	(210,659)	31,188
Employer contributions	41,600	41,600	41,600
	-		
At 31 December	(81,105)	(81,105)	80,437
Current service cost net of employees' contributions	5,761	5,761	4,741
Net interest on obligation and plan assets	(13,278)	(13,278)	(3,346)
Total included in "staff costs" in respect of scheme	(7,517)	(7,517)	1,395
Amount recognised in other comprehensive income:			
Actuarial gains	15,450	15,450	16,278
Return on plan assets	(226,109)	(226,109)	14,910
Total (charge) / credit to other comprehensive income	(210,659)	(210,659)	31,188
Actuarial assumptions			
Discount rate (% p.a.)	14%	14%	14%
Future salary increases (% p.a.)	5%	5%	5%
Future pension increases (% p.a.)	3%	3%	3%

Historical information	2015 KShs '000	2014 KShs '000	2013 KShs '000	2012 KShs '000
Fair value of plan assets	430,153	572,671	483,583	417,964
Present value of funded obligations	(511,258)	(492,234)	(474,539)	(441,693)
Net over/(under) funding in the scheme	(81,105)	80,437	9,044	(23,729)
Defined benefit (liability) / asset	(81,105)	80,437	9,044	(23,729)

Defined contribution scheme

The Company 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 2015, the Group contributed KShs 27,559,000 to the defined contribution pension scheme and KShs 1,137,000 for NSSF which has been charged to the statement of profit or loss. The Company contributed KShs 23,234,000 (2014 – KShs 20,776,000) to the defined contribution pension scheme and KShs 265,000 (2014 – KShs 1,045,000).

22. UNQUOTED EQUITY INSTRUMENTS – AVAILABLE FOR SALE

	GROUP 2015 KShs '000	COMPANY 2015 KShs '000	2014 KShs '000
At cost			
At 1 January	167,113	167,113	59,965
Addition	35,118	35,118	107,148
At 31 December	202,231	202,231	167,113

	Share holding			
Industrial Development Bank	3.5%	24,474	24,474	24,474
Africa Reinsurance Limited	0.2%	35,491	35,491	35,491
African Trade Insurance Agency	0.6%	87,506	87,506	87,506
Uganda Reinsurance Company Limited	11.5%	54,760	54,760	19,642
Gross investment		202,231	202,231	167,113

The above unquoted instruments relate to investments in the financial markets, notably the banking and insurance sectors. The unquoted equities are not actively traded; and management does not intend to dispose them equities in the immediate future.

The fair value measurement of the above unquoted equity instruments have not been disclosed. The carrying amounts of the above financial instruments amounting to Kshs 202 million (2014 : Kshs 167 million) may therefore differ from their fair values. The valuation has not been done by management because the significant inputs that would be used by management for the valuation are not based on observable market data neither does management hold any recent price quotations of all of the above investments . Management would therefore be required to make significant judgements and assumptions, which may or may not result in correct fair value measurements.

23. CORPORATE BONDS

	GROUP 2015 KShs '000	COMPANY 2015 KShs '000	2014 KShs '000
At 1 January	419,134	419,134	141,846
Purchases during the year	80,512	80,512	279,288
Redemptions during the year	(5,925)	(5,925)	(5,925)
Increase in interest accrued	425	425	3,925
	494,146	494,146	419,134

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

KENYA REINSURANCE CORPORATION LTD

2015 ANNUAL REPORT & FINANCIAL STATEMENT

		GROUP	COMPANY	
		2015	2015	2014
	Maturity	KShs '000	KShs '000	KShs '000
KENGEN Limited	31-Oct-19	24,237	24,237	30,295
Consolidated Bank of Kenya Limited	24-Jul-19	105,642	105,642	105,679
NIC Bank	09-Sep-19	207,898	207,898	207,898
Centum	08-Jun-20	81,001	81,001	-
Commercial bank of Kenya Ltd	14-Dec-20	75,368	75,368	75,262
		494,146	494,146	419,134

The average effective interest rate on the corporate bonds at 31 December 2015 was 12.80% (2014 – 12.5 %).

24. RECEIVABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

		GROUP	COMPANY	
		2015	2015	2014
		KShs '000	KShs '000	KShs '000
Local companies		714,689	714,689	1,116,062
International companies		3,126,126	2,784,483	2,280,319
Less: impairment provision		(640,846)	(640,846)	(1,173,420)
		3,199,969	2,858,326	2,222,961
Balance brought forward		(1,173,420)	(1,173,420)	(1,306,370)
Write offs		646,193	646,193	182,217
Additional Provision		(113,619)	(113,619)	(49,267)
Balance carried forward		(640,846)	(640,846)	(1,173,420)

25. PREMIUM AND LOSS RESERVES

International companies	767,996	702,560	646,701
Local companies	49,299	49,299	42,403
Provision for impaired balances	(518,318)	(518,318)	(518,318)
	298,977	233,541	170,786

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.

26. OTHER RECEIVABLES

		GROUP	COMPANY	
		2015	2015	2014
		KShs '000	KShs '000	KShs '000
Staff advances		41,042	39,518	41,206
Prepayments		11,461	10,600	593
Rental receivables		34,794	34,794	625
Dividends receivable		4,579	4,579	9,538
Due from the investment custodian		-	-	49,870
Other receivables		20,910	4,387	1,177
		112,786	93,878	103,009

Other trade receivables are non-interest bearing and generally on terms of 30 to 120 days

27. QUOTED EQUITY INSTRUMENTS – AVAILABLE FOR SALE

	GROUP	COMPANY	
	2015	2015	2014
	KShs '000	KShs '000	KShs '000
At 1 January	3,256,975	3,256,975	2,959,490
Fair value gain	(613,315)	(613,315)	364,123
Purchases during the year	160,293	160,293	306,895
Disposal during the year	(250,381)	(250,381)	(373,533)
	2,553,572	2,553,572	3,256,975

28. GOVERNMENT SECURITIES

At 1 January	7,712,401	7,712,401	7,693,954
Purchases during the year	1,796,642	1,796,642	1,228,541
Maturities during the year	(416,500)	(416,500)	(783,094)
Disposal during the year	-	-	(370,600)
Increase/(decrease) in Interest accrued	93,980	93,980	(56,400)
	9,186,523	9,186,523	7,712,401
Held to maturity			
Maturing:			
- Within 3 months	15,623	15,623	-
- Within 4 to 12 months	398,116	398,116	153,150
- Within 1 to 5 years	1,055,905	1,055,905	320,433
- Over 5 years	7,716,879	7,716,879	7,238,818
At 31 December	9,186,523	9,186,523	7,712,401

Treasury bonds amounting to KShs 1,889,550,000 (2014 – KShs 1,344,550,000) 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 11.96 % (2014 – 11.29%).

29. PROPERTY HELD FOR SALE

	GROUP	COMPANY	
	2015	2015	2014
	KShs '000	KShs '000	KShs '000
At 31 December	-	-	28,794

Inventories comprise property units for sale.

30. INVENTORY

	GROUP	COMPANY	
	2015	2015	2014
	KShs '000	KShs '000	KShs '000
As 31 December	32,846	32,017	-

Inventories comprise stationery and repair materials.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

KENYA REINSURANCE CORPORATION LTD

2015 ANNUAL REPORT & FINANCIAL STATEMENT

31. DEFERRED ACQUISITION COSTS

	GROUP	COMPANY	
	2015	2015	2014
	KShs '000	KShs '000	KShs '000
At 1 January	1,148,252	1,148,252	960,819
Deferred during the year	1,223,150	1,183,769	1,148,252
Released to the statement of profit or loss	(1,148,252)	(1,148,252)	(960,819)
At 31 December	1,223,150	1,183,769	1,148,252

Deferred acquisition costs have been estimated at 40% of gross premiums written.

32. NON CURRENT ASSETS HELD FOR SALE

	GROUP	COMPANY	
	2015	2015	2014
	KShs '000	KShs '000	KShs '000
At 31 December	28,098	28,098	28,098

The non-current assets held for sale represent land which the Company intends to dispose within the next 12 months. The assets have remained in this category for two years due to the nature of these assets. The period it takes to complete such sale and the search for a willing buyer can be a lengthy process. The period of sale has therefore been extended beyond one year.

33. DEPOSITS WITH FINANCIAL INSTITUTIONS

	GROUP	COMPANY	
	2015	2015	2014
	KShs '000	KShs '000	KShs '000
	5,957,281	5,881,609	6,507,244

The weighted average effective interest rate on deposits with financial institutions was 10.40% (2014– 7.33%).

34. CASH AND CASH EQUIVALENTS

	GROUP	COMPANY	
	2015	2015	2014
	KShs '000	KShs '000	KShs '000
Cash and bank balances	318,729	281,925	224,776

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	GROUP	COMPANY	
	2015	2015	2014
	KShs '000	KShs '000	KShs '000
Short term bank deposits	5,957,281	5,881,609	6,507,244
Cash and bank balances	318,729	281,925	224,776
	6,276,010	6,163,534	6,732,020

35. LONG TERM REINSURANCE LIABILITIES

The long term reinsurance liabilities, which comprise Ordinary Life Fund and Superannuation Fund, were established in respect of the Company'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 2015 and according to the valuation, the fund had a surplus of KShs 4,279 million (2014 – KShs 3,681 million).

Reconciliation of statutory fund to the actuarial surplus

The actuarial surplus resulting from the actuarial valuation carried out by the Consulting Actuaries as at 31 December 2015 is summarised as follows:

	2015 KShs '000	2014 KShs '000
Life fund	6,458,375	5,778,742
Less: actuarial value of policy holder liabilities	(2,179,836)	(2,097,681)
Actuarial surplus	4,278,539	3,681,061
Less deferred tax liability (note 38)	(1,283,366)	(1,104,318)
Statutory reserve	2,995,173	2,576,743

The movement in the actuarial value of policy holder liabilities is as follows:

	2015 KShs '000	2014 KShs '000
As at 1 Jan	2,097,682	2,094,357
Movement in liabilities	82,153	3,325
	2,179,835	2,097,682

Valuation assumptions

The significant valuation assumptions for the actuarial valuation as at 31 December 2015 are summarised below. The same assumptions were used in 2014.

(i) Actuarial basis and method of valuation

The Company 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.

(ii) Actuarial basis and method of valuation

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 Company 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, Company life business and supplementary benefits additional actuarial reserves namely AIDS reserve, claims equalisation reserve and contingency reserve have been established.

(iii) Investment returns

The rate of return on the life fund assets in 2015 was 9.7% per annum (2014 – 13.4% per annum).

36. SHORT TERM INSURANCE CONTRACT LIABILITIES

2015	Gross	Reinsurance	Net
As at 1 Jan 2015	5,051,158,448	(533,019,795)	4,518,138,653
Movement	667,270,388	(19,119,251)	648,151,137
As at 31 Dec 2015	5,718,428,836	(552,139,046)	5,166,289,790

2014	Gross	Reinsurance	Net
As at 1 Jan 2014	3,919,304,974	(216,590,305)	3,702,714,669
Movement	1,131,853,474	(316,429,490)	815,423,984
As at 31 Dec 2014	5,051,158,448	(533,019,795)	4,518,138,653

The Chain Ladder method and the Bornhuetter Ferguson method were used to project the claim reserves. Gross paid claims were used for all projections. The net IBNR was then calculated using historical reinsurance recoveries over the last three years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

KENYA REINSURANCE CORPORATION LTD

2015 ANNUAL REPORT & FINANCIAL STATEMENT

36. SHORT TERM INSURANCE CONTRACT LIABILITIES

GROUP

Accident year	2011 KShs '000	2012 KShs '000	2013 KShs '000	2014 KShs '000	2015 KShs '000	Total KShs '000
Estimate of ultimate claims costs:						
At end of accident year	4,724,687	1,391,306	2,039,291	2,516,036	6,272,690	16,944,010
One year later	4,487,902	1,180,555	1,819,777	3,050,073	-	10,538,307
Two years later	1,192,809	140,212	751,373	-	-	2,084,394
Three years later	445,719	292,796	-	-	-	738,515
Four years onwards	919,136	-	-	-	-	919,136
Current estimate of cumulative claims	11,770,253	3,004,869	4,610,441	5,566,109	6,272,690	31,224,362
Less: cumulative payments to date	(11,457,898)	(2,791,460)	(4,210,096)	(4,735,124)	(2,863,494)	(26,058,072)
Total gross claims liability included in the statement of financial position	312,355	213,409	400,345	830,985	3,409,196	5,166,290

COMPANY

Accident year	2011 KShs '000	2012 KShs '000	2013 KShs '000	2014 KShs '000	2015 KShs '000	Total KShs '000
Estimate of ultimate claims costs:						
At end of accident year	4,724,687	1,391,306	2,039,291	2,516,036	6,272,690	16,944,010
One year later	4,487,901	1,180,555	1,819,777	2,961,060	-	10,449,293
Two years later	1,192,809	140,212	751,373	-	-	2,084,394
Three years later	445,719	292,796	-	-	-	738,515
Four years onwards	919,136	-	-	-	-	919,136
Current estimate of cumulative claims	11,770,252	3,004,869	4,610,441	5,477,096	6,272,690	31,135,348
Less: cumulative payments to date	(11,457,897)	(2,791,460)	(4,210,096)	(4,735,124)	(2,863,494)	(26,058,071)
Total gross claims liability included in the statement of financial position	312,355	213,409	400,345	741,972	3,409,196	5,077,277

37. PAYABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

	GROUP 2015 KShs '000	COMPANY 2015 KShs '000	2014 KShs '000
Local companies	117,329	117,329	283,314
International companies	395,167	259,369	168,377
	512,496	376,698	451,691

38. DEFERRED TAXATION LIABILITY

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

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

	GROUP	COMPANY	
	2015	2015	2014
	KShs '000	KShs '000	KShs '000
Deferred tax assets:			
Excess depreciation over capital allowances	14,283	14,283	(6,092)
Leave pay provision	(8,390)	(8,390)	(7,357)
Defined benefit liability	877	877	(419)
Provision for fines and penalties	-	-	(11,005)
Bad debts provisions	(412,979)	(412,979)	(548,883)
	(406,209)	(406,209)	(573,756)
Deferred tax liabilities:			
Revaluation surplus – property and equipment	-	-	1,169
Unrealised exchange gain	26,961	26,961	18,788
Life fund actuarial surplus	1,283,366	1,283,366	1,104,318
Net deferred taxation liability	904,118	904,118	550,519

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

At 1 January	550,519	550,519	334,478
Charge for the year (note 11)	353,599	353,599	280,785
Prior year under provision	-	-	(64,744)
At 31 December	904,118	904,118	550,519

39. OTHER PAYABLES

	GROUP	COMPANY	
	2015	2015	2014
	KShs '000	KShs '000	KShs '000
Purchasers deposits	11,356	11,356	16,437
Legal fees deposits	9,979	9,979	15,462
Rental deposits	101,714	101,714	84,407
Accrued leave pay	13,133	13,834	24,523
Taxation arrears	-	-	36,683
Accounts payable	341,125	338,191	168,842
Pension liability payable	-	-	41,600
Other creditors and accruals	139,523	258,461	17,947
	616,830	733,535	405,901

Other payables are non-interest bearing and have an average term of not more than 1 year.

40. UNEARNED PREMIUMS

	GROUP	COMPANY	
	2015	2015	2014
	KShs '000	KShs '000	KShs '000
At 1 January	4,010,877	4,010,877	3,282,685
Transfer to Kenya Re Ivory coast	-	(104,906)	-
Increase in the year	549,717	501,421	728,192
At 31 December	4,560,594	4,407,392	4,010,877

41. DIVIDENDS

The directors propose the payment of a first and final dividend of KShs 0.75 (2014 – KShs 0.70) per share totalling to KShs 525 million in respect of the year ended 31 December 2015 (2014 – KShs 490 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:

	GROUP	COMPANY	
	2015	2015	2014
	KShs '000	KShs '000	KShs '000
At 1 January	-	-	-
Dividend declared	489,964	489,964	419,969
Dividends paid	(489,964)	489,964	(419,969)
At 31 December	-	-	-
Proposed cash dividend per share (KShs)	0.75	0.75	0.70

42. NOTES TO THE STATEMENT OF CASH FLOWS

	GROUP	COMPANY	
	2015	2015	2014
	KShs '000	KShs '000	KShs '000
Profit before taxation	4,514,136	4,390,705	3,919,732
Adjustment for:			
Depreciation (note 15)	27,402	27,005	33,139
Interest on corporate bonds	(56,134)	(56,134)	(25,658)
Interest on government securities	(1,065,842)	(1,065,842)	(866,800)
Interest on staff mortgages and loans	(11,694)	(11,556)	(10,458)
Interest on deposits with financial institutions	(647,915)	(645,043)	(466,629)
Interest on commercial mortgages	(77,329)	(77,329)	(81,199)
Amortisation of software (note 16)	26,570	26,570	1,525
Realised accumulated fair value gain on available for sale quoted equity instruments	(225,938)	(225,938)	-
Realised (loss) /gain on sale of available for sale quoted equity instruments	23,619	23,619	(12,895)
Gain on disposal of property and equipment (note 8)	(904)	(904)	-
Gain on disposal of government securities	-	-	(56,400)
Profit on sale of inventory property	(101,206)	(101,206)	-
Fair value gain on investment properties (note 18)	(729,599)	(729,599)	(684,798)
Defined benefit gain recognised in profit or loss	(7,517)	(7,517)	-
Share of profit of associate (note 18)	(335,727)	(335,727)	(275,894)
Operating profit before working capital changes	1,331,922	1,211,104	1,473,665
Short term reinsurance contract liabilities	648,152	559,139	815,423
Unearned premiums	549,717	396,515	728,192
Other payables	210,925	327,631	(71,503)
Long term reinsurance contract liabilities	82,155	82,155	3,324
Mortgage loans	66,852	71,666	19,500
Other receivables	(9,777)	9,131	6,594
Increase in inventories	(32,846)	(32,017)	-
Deferred acquisition costs (note 31)	(74,898)	(35,517)	(187,433)
Premium and loss reserves	(128,191)	(62,755)	23,269
Payables arising out of reinsurance arrangements	60,805	(74,993)	(250,221)
Increase in due from related party	-	(196,805)	-
Receivables arising out of reinsurance arrangements	(977,008)	(635,365)	(220,005)
Defined benefit liability	(41,600)	(41,600)	(71,393)
Net cash generated from operations	1,686,208	1,578,289	2,269,412

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

KENYA REINSURANCE CORPORATION LTD

2015 ANNUAL REPORT & FINANCIAL STATEMENT

43. RELATED PARTIES

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

	GROUP	COMPANY	
	2015	2015	2014
	KShs '000	KShs '000	KShs '000
Transactions and balances with directors and staff			
(i) Directors' remuneration			
Fees	6,000	6,000	6,004
Other emoluments	12,218	12,218	12,807
	18,218	18,218	18,811
(ii) Key management remuneration Salaries and other short term benefits	40,208	40,208	41,474
(iii) Loans to staff	262,417	262,417	257,406

Interest income on these loans was KShs 11,694,120 (2014 – KShs 10,457,940). The effective interest on the loans is 5 % (2014 – 5%). Staff mortgages and car loans are fully secured.

	GROUP	COMPANY	
	2015	2015	2014
	KShs '000	KShs '000	KShs '000
(iv) Loans to directors			
Included in commercial mortgages (note 17)	-	-	2,406

Interest earned on these loans was KShs 146,800 (2014 – KShs 278,730). The effective interest rate on the loans is 5% (2014 - 5%). Loans to directors are secured by mortgages on the property purchased.

	GROUP	COMPANY	
	2015	2015	2014
	KShs '000	KShs '000	KShs '000
(a) Transaction with associate company, ZEP Re			
(i) Net premium written	42,832	42,832	68,190
(ii) Claims incurred	29,700	29,700	42,088

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.

COMPANY	2015	2014
	KShs '000	KShs '000
(c) Outstanding balances with related parties:		
Amount due from Kenya Reinsurance Corporation Cote d'Ivoire	196,805	-
Net assets transferred to the subsidiary on converting the branch to a subsidiary	191,920	-
Staff loans	4,885	-
	196,805	-

44. CONTINGENT LIABILITIES

The Kenya Revenue Authority made a final assessment relating to withholding tax on cedant acquisition costs and brokerage fees as indicated below:

	Principal	Interest	Penalty	Total
	KShs '000	KShs '000	KShs '000	KShs '000
Withholding tax	742,215	456,052	74,221	1,272,488

The amount is the subject of ongoing court case between Kenya Re and KRA. 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. CONSOLIDATION OF SUBSIDIARY

The company incorporated a new subsidiary in Zambia, Kenya Reinsurance Corporation Zambia Limited, on 26 November 2015.

The new subsidiary did not transact any business in the current year.

46. EVENTS AFTER REPORTING DATE

There were no events after the reporting date which could have a material impact on the financial statements for the Group or the Company which have not been adequately adjusted for.

47. INCORPORATION

The Company is incorporated and domiciled in Kenya under the Companies Act.

48. CURRENCY

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

49. COMMITMENTS

Operating lease commitments – Group as lessor

The Group has entered into operating leases on its investment property portfolio consisting of certain office buildings. These leases have terms of 6 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

The total contingent rents recognised as income during the year is Kshs. 746 million (2014: Kshs . 712 million). Future minimum rentals receivable under non-cancellable operating leases as at 31 December are, as follows:

	2015	2014
	KShs'000	KShs'000
Not later than one year	923,633	645,288
Later than 1 year but not later than 5 years	2,386,213	3,103,199
Later than 5 years	17,500	224,147
	3,327,346	3,972,634

SHORT TERM BUSINESS REVENUE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2015

KENYA REINSURANCE CORPORATION LTD

2015 ANNUAL REPORT & FINANCIAL STATEMENT

APPENDIX I

Kenya Reinsurance Corporation Limited

Short Term Business Revenue Account For The Year Ended 31 December 2015

	Aviation KShs '000	Engineering KShs '000	Fire Domestic KShs '000	Fire Industrial KShs '000	Liability KShs '000	Marine KShs '000	Motor Private KShs '000	Motor Commercial KShs '000	Personal Accident KShs '000	Theft KShs '000	Workmen Compensation KShs '000	Medical KShs '000	Misc. KShs '000	Total 2015 KShs '000	Total 2014 KShs '000
Gross premium	29,971	720,416	2,377	4,300,142	118,966	677,438	36,671	495,976	1,233,132	547,946	642	2,559,514	1,056,025	11,779,216	10,460,149
Unearned premiums b/f	7,844	273,051	1,782	1,280,083	42,122	231,708	15,999	183,846	721,317	243,388	652	683,955	325,130	4,010,877	3,282,685
Unearned premiums c/f	11,988	288,166	951	1,596,483	47,586	270,975	14,668	198,391	493,253	219,179	257	1,023,806	394,891	4,560,594	4,010,878
Movement in unearned premium	(4,144)	(15,115)	831	(316,400)	(5,464)	(39,267)	1,331	(14,545)	228,064	24,209	395	(339,851)	(69,761)	(549,717)	(728,192)
Earned premiums	25,827	705,301	3,208	3,983,742	113,502	638,171	38,002	481,431	1,461,196	572,155	1,037	2,219,663	986,264	11,229,499	9,731,957
Less:															
Retrocession premiums	-	-	-	308,934	-	-	-	-	-	-	-	-	68,796	377,730	432,955
Net earned premiums	25,827	705,301	3,208	3,674,808	113,502	638,171	38,002	481,431	1,461,196	572,155	1,037	2,219,663	917,468	10,851,769	9,299,002
Claims paid	14,031	261,053	1,348	2,167,464	20,958	261,685	3,386	185,254	918,629	264,379	76	1,802,843	257,165	6,158,271	5,138,706
Claims recoverable	-	-	-	(293,165)	-	-	-	-	-	-	-	-	-	(293,165)	(409,052)
Claims reserves - beg. of year	(17,600)	(281,772)	(1,533)	(1,484,416)	(22,277)	(374,704)	(22,982)	(478,715)	(632,229)	(463,545)	(4,654)	(611,257)	(122,455)	(4,518,139)	(3,702,715)
- end of year	13,829	330,558	309	1,537,664	22,654	405,236	43,970	729,135	702,246	393,401	576	744,812	241,900	5,166,290	4,518,139
Net claims incurred	10,260	309,839	124	1,927,547	21,335	292,217	24,374	435,674	988,646	194,235	(4,002)	1,936,398	376,610	6,513,257	5,545,078
Commissions	6,045	233,715	1,128	1,082,199	31,333	194,156	506	45,252	417,852	191,738	246	488,606	295,646	2,988,422	2,683,672
Commissions receivable	-	-	-	-	-	-	-	-	-	-	-	-	(5,445)	(5,445)	(475)
Provision for bad debts	506	12,131	40	72,412	2,003	11,408	618	8,352	20,765	9,227	11	43,101	17,783	198,357	49,267
Management expenses	2,630	63,186	208	377,157	10,434	59,417	3,216	43,501	108,156	48,059	56	224,490	92,622	1,033,132	912,107
Total expenses	9,181	309,032	1,376	1,531,768	43,770	264,981	4,340	97,105	546,773	249,024	313	756,197	400,606	4,214,466	3,644,571
Underwriting profit/(loss)	6,386	86,430	1,708	215,493	48,397	80,973	9,288	(51,348)	(74,223)	128,896	4,726	(472,932)	140,252	124,046	109,353

This short term business revenue account was approved by the Board of Directors on 29th March, 2016 and was signed on its behalf by



Principal Officer



Director



Director

APPENDIX II

Kenya Reinsurance Corporation Limited Long Term Business Revenue Account


FOR THE YEAR ENDED 31 DECEMBER 2015

	Ordinary KShs '000	Super Annuation KShs '000	2015 KShs '000	2014 KShs '000
Gross earned premiums	80,829	1,200,296	1,281,125	1,109,941
Less: Retrocession premiums	(7,370)	(109,445)	(116,816)	(95,535)
Net earned premium	73,459	1,090,851	1,164,309	1,014,406
Net claims incurred	9,683	456,515	466,198	409,138
Change in actuarial liability	34,369	47,786	82,155	3,324
Net cedant acquisition costs	38,412	340,932	379,344	308,565
Management expenses	12,687	188,394	201,080	180,548
	95,151	1,033,626	1,128,777	901,575
Underwriting surplus	(21,692)	57,224	35,532	112,831
Fair value gains	6,309	93,691	100,000	53,808
Investment income	31,979	474,875	506,854	455,760
Increase in life funds	16,596	625,790	642,386	622,399

The long term business revenue account was approved by the board of directors on 29th March, 2016 and was signed on its behalf by:



Principal Officer



Director



Director

Shareholder / Member No. _____

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

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

or failing him/her _____ of _____

as *my/our proxy to vote for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held at the Kenyatta International Convention Centre, City Hall Way, Nairobi, on Friday, 17th June 2016 at 11.00 a.m., and at any adjournment thereof.

Signature(s) _____

Signed this _____ day of _____ 2016. _____

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 17th June 2016

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

Name: _____ Signature(s): _____

Annual General Meeting of Kenya Reinsurance Corporation Limited to be held at the Kenyatta International Convention Centre, City Hall Way, Nairobi, on **Friday, 17th June 2016** at 11.00 a.m

Nambari ya Mshikadau / Mwanachama. Katibu wa Shirika _____

Kenya Reinsurance Corporation Limited
15th Floor, Reinsurance Plaza Building
Taifa Road
S.L.P 30271-00100
NAIROBI

MIMI/SISI _____ kama _____

*Mwanachama/wanachama wa KENYA REINSURANCE CORPORATION LIMITED, ninamteua

_____ kama _____

Kumwondoa _____ kama _____

*wakala wangu/wetu kunipigia/kutupigia kura kwa niaba *yangu/yetu katika Mkutano Mkuu wa Kila Mwaka wa Kampuni utakaofanyika katika Kenyatta International Convention Centre, City Hall Way, Nairobi, mnao Ijumaa, 17 Juni 2016 saa 5:00 asubuhi., na katika ahirisho lolote litakalotokea.

Sahihi _____

Imetiwa sahihi _____ siku ya _____ 2016.

Fomu hii inafaa kutumika * ikuunga mkono/kupinga azimio la kupiga kura. Isipokuwa vinginevyo kama ilivyoagizwa, wakala atapiga kura kulingana na uamuzi wake.

* Kuondoa yoyote isiyohitajika.

Madokezo:

1. Anwani inafaa kuwa ile iliyoonyeshwa kwenye sajili ya wanachama.
2. Endapo mwanachama atakuwa ni Shirika, fomu hii ya wakala lazima itekelezwe chini ya Mhuri wa Pamoja au kutiwa sahihi kwa niaba yake na mwanasheria au afisa wa Shirika aliyeidhinishwa kihalali.
3. Mtu aliyeteuliwa kuwa kama wakala hafai kuwa mwanachama wa Kampuni.
4. Endapo kutakuwa na washikadau wa pamoja, sahihi ya mmojwa wao itatosha lakini majina ya washikadau wote wa pamoja yanafaa kutajwa.

Barua ya Usajili wa Mshikadau ya AGM mnamo tarehe 17 Juni 2016

Tafadhali kamilisha fomu hii na ukumbuke kuwa lazima itolewe na wewe au wakala wako katika Mkutano Mkuu wa Kila Mwaka ili kurekodi uhudhuriaji. Kumbuka kuwa washikadau waliosajiliwa tu au wakala wao wataarifiwa kwenye Kampuni sio chini ya saa arobaini na nane (48) kabla ya ya muda wa mkutano kufanyika watakubaliwa kwenye mkutano.

Jina: _____ Sahihi: _____

Mkutano Mkuu wa Kila Mwaka wa Kenya Reinsurance Corporation Limited utakaofanyika katika **Kenyatta International Convention Centre, City Hall Way, Nairobi, mnamo Ijumaa tarehe 17 Juni 2016** saa 5:00 asubuhi.

[illegible]



Kenya Re staff members led by MD Mr. Jadhav Mwarania (6th R) and participants of the Agricultural Seminar drawn from the local insurance market pose during the training that was held from 20th – 23rd July 2015 at the Stanley Hotel Nairobi, Kenya.



HEAD OFFICE

Kenya Reinsurance Corporation Limited
15th Floor Reinsurance Plaza , Taifa Plaza,
P.O.Box 30721-00100 Nairobi, Kenya,

T: +254 (020) 220 2000
M: +254 703 083 000
F: +254 (020) 252 106 340 486

E: kenyare@kenyare.co.ke

www.kenyare.co.ke



Kenya Reinsurance Corporation Zambia Ltd.
D.G Office Park, No. 1 Chila Road,
Kabulonga, Lusaka.
P.O. Box 30578 10101 Lusaka, Zambia.

T: +260 954 408 642

E: stembo@kenyare.co.ke or
kenyare@kenyare.co.ke



Kenya Reinsurance Corporation Côte d'Ivoire
Bureau Régional
Afrique de l'Ouest, du Centre et du Nord
Imm. Posilipo, 1er étage, n°13,
Face Pharmacie du Lycée Technique
Cocody, Abidjan Côte d'Ivoire
01 Bp 7539 Abidjan 01

DT: +225 22 440 662
S: +225 22 440 708