KENYA RE

www.kenyare.co.ke

Spreading Our Wings

ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS 2016

Who we are

CORPORATE VISION

Global Partner in securing the future.

CORPORATE MISSION

We provide risk management solutions that secure the future and create value for stakeholders.

STATEMENT OF PURPOSE

Seamless Stability.

CORE VALUES

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

- Learning & Innovation
- Integrity
- Service Culture
- Teamwork
- Objectivity
- Good Corporate Citizenship

Contents

KENYA REINSURANCE CORPORATION LIMITED

GROUP INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2016

DIRECTORS

David Kemei	- Chairman
Jadiah Mwarania	- Managing Director
Henry Rotich	- Cabinet Secretary, National Treasury
Chiboli Shakaba	
Everest Lenjo	
Felix Okatch	
Maina Mukoma	
Jennifer Karina	
Felistas Ngatuny	
Anthony Munyao	- Elected on 17 June 2016
Zipporah Mogaka	- Elected on 17 June 2016
Dr. Lumbi M'Nabea	- Retired on 17 June 2016
Priscilla Mwangi	- Retired on 17 June 2016

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

SUBSIDIARIES

Kenya Reinsurance Corporation
Côte d'Ivoire | Bureau Régional
Imm. Posilipo, 1er étage, n°13,
Face Pharmacie du Lycée Technique
Cocody, Abidjan Côte d'Ivoire
01 Bp 7539 Abidjan 01

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

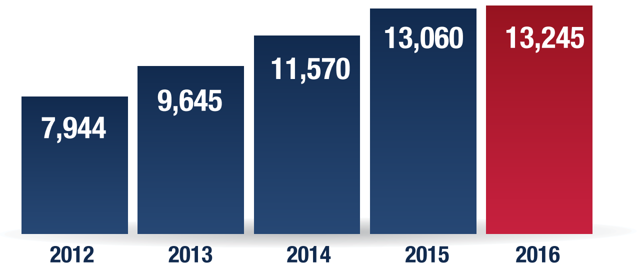
BANKERS

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

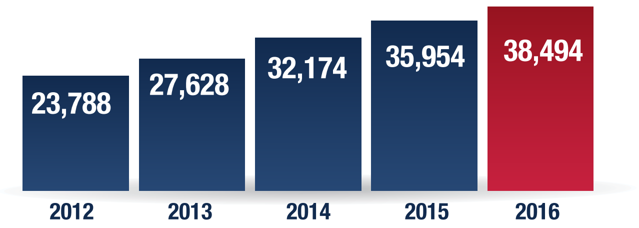
Citibank NA
Citibank House, Upper Hill
P.O Box 3071 - 00100
Nairobi, Kenya

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

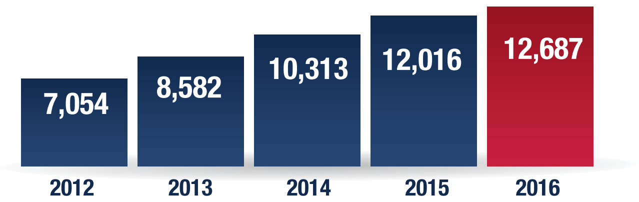
Gross Premiums Written In Ksh Millions



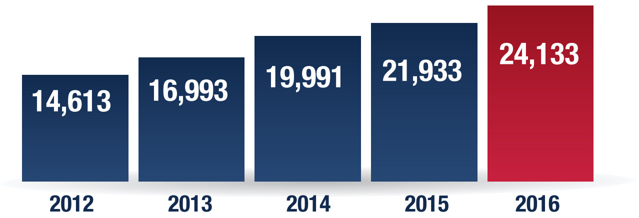
Total Assets in Ksh. Millions



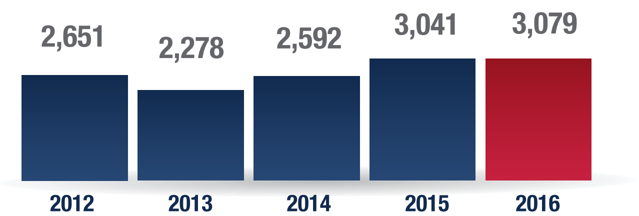
Net Premiums Written In Ksh Millions



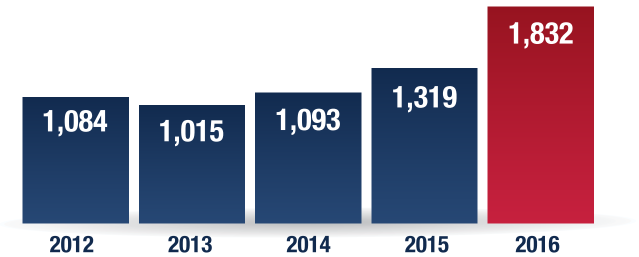
Shareholder's funds In Ksh. Millions



Investment Income In Ksh. Millions

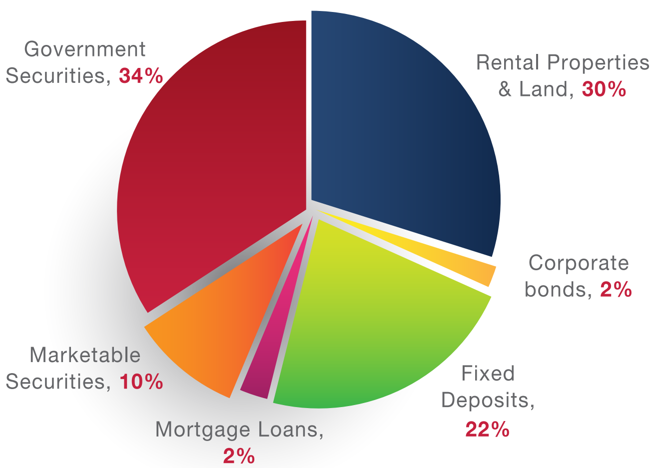


Management Expenses In Ksh. Millions

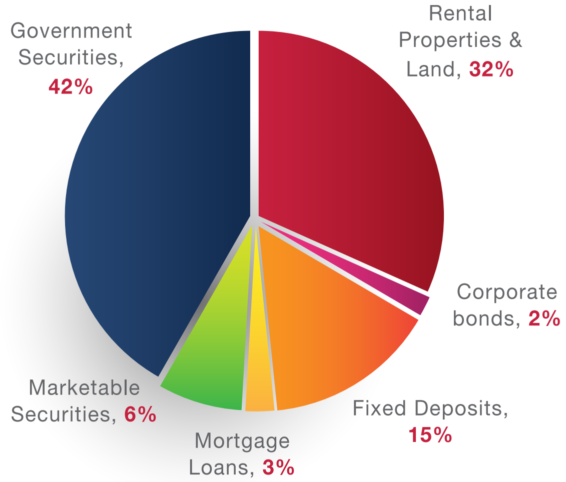


Investment Mix

2015



2016



NOTICE OF THE 2017 ANNUAL GENERAL MEETING

Notice is hereby given that the **19th ANNUAL GENERAL MEETING OF KENYA REINSURANCE CORPORATION LIMITED** will be held at the **Bomas of Kenya, Langata Road,** Nairobi, on **Friday, 16th June 2017 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 2016 together with the Chairman's, Directors' and Auditors' Reports thereon.
3. To approve payment of a first and final dividend of KShs0.80 per share for the financial year ended 31st December 2016 to the shareholders registered in our books as at 16th June 2017 on or about 28th July 2017, as recommended by the Board, and approve the closure of the Register of Members on 19th June 2017.
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. Maina Mukoma,

   ii. Mr David Kemei,

   iii. Mr. Chiboli Shakaba
5. To note and approve the Directors' remuneration for the period ended 31st December 2016.
6. Auditors

   To note that the audit of the Corporation's books of accounts will continue to be undertaken by the Controller and Auditor-General or an audit firm appointed by him in accordance with Section 14 of the State Corporations Act and Section 23 of the Public Audit Act 2015.
7. To authorise the Directors to fix the remuneration of the Auditors.
8. To authorise the Directors to appoint members of the Audit Committee of the Board.
9. 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

30th March 2017

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 2017 at 11.00 a.m.*
2. *Any member may by notice duly signed by him or her and delivered to the Corporation Secretary on the above address, not less than seven (7) days and not more than twenty one (21) days before the date appointed for the Annual General Meeting give notice of his intention to propose any other person for election to the Board, such notice to be accompanied by a notice signed by the person proposed of his or her willingness to be elected. The proposed person need not be a member of the Company.*
3. *Copies of the Corporation's complete Memorandum and Articles of Association are available for inspection on the Corporation's website (www.kenyare.co.ke) and also at the Company's Registered Offices – 15th Floor, Reinsurance Plaza, Taifa Road, Nairobi.*

ILANI YA MKUTANO MKUU WA MWAKA WA 2017

Ilani inatolewa kuwa **MKUTANO MKUU WA MWAKA WA 19 WA KAMPUNI YA KENYA REINSURANCE CORPORATION LIMITED** utafanyika katika ukumbi wa **Bomas of Kenya, Langata Road,** Nairobi, **Ijumaa, Juni 16, 2017 saa tano asubuhi** ambapo shughuli zifuatazo zitaangaziwa:

AJENDA

1. Ushiriki wa Mkutano – Kusoma ilani ya kuitisha mkutano na kutambua iwapo akidi imetosha.
2. Kupokea, kufanyia maamuzi na ikiidhinishwa, kukubali taarifa za Kifedha za shirika hili zilizofanyiwa ukaguzi wa mahesabu katika mwaka uliokamilika Desemba 31, 2016 pamoja na taarifa za Mwenyekiti na Mkurugenzi.
3. Kuidhinisha malipo ya mgao wa kwanza na wa mwisho wa KShs 0.80 kwa kila hisa katika mwaka wa kifedha uliokamilika Desemba 31, 2016 kwa wenyehisa waliosajiliwa katika vitabu vyetu kufikia Juni 16, 2017 au Julai 28, 2017, kama ilivyopendekezwa na Bodi, na kuidhinisha kufungwa kwa Sajili ya Wanachama kufikia Juni 19, 2017.
4. Uchaguzi wa Wakurugenzi:

   Kuambatana na Ibara 110 ya Ibara za Ushirika wa Mashirika, Wakurugenzi wafuatao wamestaafu kwa zamu na kutokana na kuwa wanafuzu wanajitangaza kuchaguliwa tena:

   i. Bw. Maina Mukoma,
   ii. Bw. David Kemei,
   iii. Bw. Chiboli Shakaba
5. Kuangazia na kuidhinisha malipo ya Wakurugenzi katika kipindi kilichokamilikia Desemba 31, 2016.
6. Wakaguzi wa mahesabu

   Kuangazia kuwa ukaguzi wa mahesabu ya vitabu vya Shirika hili utaendelea kushughulikiwa na Mkaguzi Mkuu wa Mahesabu au shirika la ukaguzi wa mahesabu lililochaguliwa na Mkaguzi mkuu wa Mahesabu kuambatana na Sehemu 14 ya Sheria ya Mashirika na Kifungu cha 23 cha Sheria ya Ukaguzi wa Mahesabu ya umma 2015.
7. Kuwaidhinisha Wakurugenzi wadhibiti malipo ya Wakaguzi wa mahesabu.
8. Kuwaidhinisha Wakurugenzi wateue wanachama wa Kamati ya Bodi ya Ukaguzi wa mahesabu.
9. Kuendeleza shughuli nyinginezo kuambatana na ilani iliyopokelewa.

Kwa amri ya Bodi

Charles N. Kariuki

Katibu wa Shirika,

Kampuni ya Kenya Reinsurance Corporation

Reinsurance Plaza, Orofa ya 15, Taifa Road

S.L.P 30271–00100

Nairobi

Machi 30, 2017

MAELEZO:

1. *Mwanachama aliye na haki ya kuhudhuria mkutano huu na kupiga kura na iwe hawezi hudhuria ana haki ya kuteua mwakilishi na kupiga kura kwa niaba yake. Sio lazima mwakilishi awe mwanachama wa Kampuni hii. Ili kuwa halali, fomu ya mwakilishi iliyoambatanishwa na Taarifa hii ya Mwaka au inayopatikana katika wavuti wa Shirika hili (www.kenyare.co.ke), lazima ijazwe na kutiwa saini na mwanachama na kuwasilishwa katika afisi zilizosajiliwa za wasajili wa hisa wa Shirika hili,* ***M/s. Image Registrars Limited, Barclays Plaza, Orofa ya 5, Loita Street, S.L.P 9287 – 00100 GPO, Nairobi*** *au kutmwa kwa posta kupitia anwani iliyotolewa ili iwafikie* ***M/s. Image Registrars Limited****, kabla ya tarehe Juni 15, 2017 saa tano asubuhi.*
2. *Baada ya kutoa ilani mwanachama yeyote anaweza kutiliwa saini na kuwasilisha kwa Katibu wa Shirika hili katika anuwani iliyotolewa katika kipindi kisichopungua siku saba (7) na zisizozidi siku ishirini na moja (21) kabla ya tarehe ya kufanyika kwa Mkutano Mkuu wa Mwaka na kutoa ilani ya nia yake ya kupendekeza mtu mwingine kuchaguliwa katika Bodi. Ilani ya aina hii sharti iambatane na ilani iliyotiwa saini na mtu aliyependekezwa kuhusu kukubali kwake kuchaguliwa. Sio lazima mtu aliyependekezwa awe mwanachama wa Kampuni hii.*
3. *Nakala kamili za Katiba ya Shirika hili na Sheria za Ushirika zinapatikana kwa ukaguzi katika wavuti wa Shirika hili (www.kenyare.co.ke) na pia katika afisi zilizosajiliwa za Kampuni – Orofa ya 15, Reinsurance Plaza, Taifa Road, Nairobi.*

Board of Directors

FELIX OWAGA OKATCH
NON-EXECUTIVE DIRECTOR

ANTHONY MUTHAMA MUNYAO
NON-EXECUTIVE DIRECTOR

DAVID KIBET KEMEI
CHAIRMAN & NON-EXECUTIVE DIRECTOR

CHIBOLI INDULI SHAKABA
NON-EXECUTIVE DIRECTOR

ZIPPORAH KINANGA MOGAKA
NON-EXECUTIVE DIRECTOR

MAINA MUKOMA
NON-EXECUTIVE DIRECTOR

Board of Directors

JENNIFER KABURA KARINA
NON-EXECUTIVE DIRECTOR

FELISTAS SEENOI NG'ATUNY
NON-EXECUTIVE DIRECTOR

JADIAH MWARANIA
MANAGING DIRECTOR

PROTUS SIGEI
ALTERNATE TO CABINET SECRETARY, NATIONAL TREASURY

EVEREST MATOLO LENJO
NON-EXECUTIVE DIRECTOR

NOT IN PICTURE
HENRY K. ROTICH
CABINET SECRETARY, NATIONAL TREASURY & NON-EXECUTIVE DIRECTOR

Board Members' Profiles

DAVID KIBET KEMEI - CHAIRMAN & NON-EXECUTIVE DIRECTOR

Mr. Kemei holds a Bachelor of Commerce Degree in Accounting and a Master's in 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. He is currently the Chief Executive Officer at DGMB Financial Services Ltd a position he has held since January 2008.

JADIAH MWARANIA - MANAGING DIRECTOR

Mr. Jadiah 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 (FIIK). 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 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

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)

EVEREST MATOLO LENJO - NON-EXECUTIVE DIRECTOR

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.

FELIX OWAGA OKATCH - NON-EXECUTIVE DIRECTOR

Mr. Okatch is a graduate of Commerce from The University of Nairobi, holds an MBA and various post graduate qualifications. He is the author of 'Marketing Management, Integrated Perspective'

Mr. Okatch is a member of the Institute of Directors of Kenya, Kenya Institute of Management, Association of Professional Societies in East Africa and also serves on the boards of Outward Bound Trust (K) and a Council member of Karatina University. He is a past president of the Rotary Club of Westlands.

Board Members' Profiles

MAINA MUKOMA - NON-EXECUTIVE DIRECTOR

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

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 raising 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.

JENNIFER KABURA KARINA - NON-EXECUTIVE DIRECTOR

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 of 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.

FELISTAS SEENOI NG'ATUNY - NON-EXECUTIVE DIRECTOR

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.

ANTHONY MUTHAMA MUNYAO - NON-EXECUTIVE DIRECTOR

Mr. Munyao holds a Bachelor of Arts degree in Economics and Business Studies from Kenyatta University, an MBA from the University of Nairobi and is a Certified Public Accountant of Kenya, CPA (K). Mr. Munyao started his career as an auditor at Ernst & Young from 1991 to 1997 when he moved to Agip (K) Limited and served as Finance Manager up to November 2001. He then worked in a similar capacity in Kenya Shell Limited, Kenya Petroleum Refineries Limited and Vivo Energy Kenya Limited up to the year 2013. He is currently in private business and is a founder and CEO of Victorion Limited. He serves also as the Chairman and Director of Vivo Energy Kenya Trust Limited.

ZIPPORAH KINANGA MOGAKA - NON-EXECUTIVE DIRECTOR

Mrs. Mogaka holds a Bachelor's degree in Law and Master's degree in Law in Law both from the University of Nairobi. She is also a commissioner for oaths, notary public and a Certified Public Secretary. Mrs. Mogaka started her career in the Attorney General's chambers in 1984 as a State Counsel, then moved to Kenya Industrial Estates Ltd in 1985 where she served as the Chief Legal Officer. In 1997 she moved to Kenya National Capital Corporation in the same capacity. From July 1999 to February 2013 she worked at National Bank of Kenya in different capacities rising to the level of General Manager-Legal and Remedial. Currently, Mrs. Mogaka is the managing partner of Mogaka & Mogaka Advocates.

Chairman's Overview

In a bid to give back to the community, Kenya Re launched the ***'Niko Fiti 'Ability Beyond Disability'*** Campaign in 2011. This is a Corporate Social Responsibility Initiative of the Corporation that seeks to empower Persons with Disability to undertake their daily operations with minimal dependency, enable them to have access to education and employment thus resulting in economic growth.

Mr. David Kibet Kemei - Chairman & Non-Executive Director

FOREWORD

I am greatly honored to present my statement as Chairman of Kenya Reinsurance Corporation. We steered through challenging economic times and emerged with positive growth in the business. This is our second year to report Group results for the parent company and two subsidiaries. In addition to our Headquarters situated in Nairobi, we have a presence in two major African cities, Abidjan in Cote D'Ivoire and Lusaka in Zambia. I am pleased to present to you the year 2016 annual report and financial statements for Kenya Reinsurance Corporation.

BUSINESS ENVIRONMENT

In 2016, the business environment was challenging at both Micro and Macro levels. Due to the increase of new industry entrants in Kenya, the competition level has risen resulting to suppression of the premium growth rates at the insurance and reinsurance sub-sectors.

In addition, the insurance markets were slow in paying outstanding premiums which led to provisions for outstanding debts in line with the Corporation's credit policy. Returns from investments were below the performance in 2015. This was the case with the capital markets and banking instruments.

The hyperinflation in Southern Sudan also led the Corporation to impair its business written from that particular market. The Corporation suffered foreign exchange losses in other jurisdictions that underwrite business, leading to unanticipated increase in operating expenses.

In response to these challenges, the Corporation has put in place a five year strategic plan that has executable strategies that will address the financial performance.

INDUSTRY TRENDS

Kenya Reinsurance Corporation recognizes the changing needs of its clients in the constantly dynamic world and has invested in research and innovation. The corporation's tailor made risk solutions for individual client needs is backed with its competent professional staff.

The Corporation is committed to the advancement of the insurance industry locally and internationally through conducting training programmes as well as leveraging on Information and Communication Technology in the interest of boosting the communication and service delivery to our esteemed customers. Furthermore, we continuously strive to achieve sustainable growth in profitability and creation of shareholders' value.

FINANCIAL PERFORMANCE

I am pleased to note that we delivered positive financial results in 2016. The gross written premiums, investments income, profitability, shareholders' funds and assets base, among other indicators, registered commendable growth. The Corporation recorded gross written premium of Kshs.13.2 billion during the period compared to 13.0 billion in 2015. Net earned premiums grew by 6% from 12 billion in 2015 to 12.6 billion in 2016. The group's asset base increased by 7% to Kshs. 38.4 billion from Kshs. 35.9% billion in 2015.

STRATEGIC FOCUS

Our five year strategic plan is designed to help us take advantages created by economic challenges and unforeseen market disruptions while positioning our business to strategically capture the opportunities presented in the local and international markets. The implementation of our corporate strategy and solid support from our customers will drive the growth of the reinsurance business, enhance corporate governance, and increase our market share as well as enhance the shareholder value.

BUSINESS DEVELOPMENT

Kenya Reinsurance Corporation strives to offer quality and world class reinsurance services to its clients across the board and the review and implementation of our corporate strategy year on year will guide us in making our overall objective a reality. We intend to tap into other regions with new opportunities to offer our value-adding risk solutions and recommend various products and services which will greatly benefit the insurance companies across the board.

CORPORATE SOCIAL RESPONSIBILITY

To give back to the community, Kenya Re launched the Niko Fiti 'Ability Beyond Disability' Campaign in 2011. This is a Corporate Social Responsibility Initiative of the Corporation that seeks to empower Persons with Disability to undertake their daily operations with minimal dependency, enable them to have access to education and employment thus resulting in economic growth. This has been achieved through the provision of mobility and assistive devices such as wheelchairs, special seats, try-cycles, canes, crutches, polio boots, urine bags and prosthesis.

Our CSR campaign is now recognized nationally for promotion of mobility and accessibility of PWDs faced by mobility impairments through provision of assistive devices. By so doing, the beneficiaries can now engage in daily community, social and nation building activities. The campaign also aims at de-stigmatizing disability in the Kenyan society.

Since its inception in 2011, the Corporation has received three awards for the CSR Campaign of the year (2013) at the PRSK Awards, Campaign of the Year Award (2014) at the Malaika Tribute Awards and the Corporate Leadership Award (2014) at the Annual Disability Rights & Advocacy Awards (ADARA). Most recently the campaign was awarded the 'Most Inclusive CSR' during the 2016 Diversity and Inclusion Awards, a firm indicator of the impact that the project has within the country. With our commitment, we hope to gain more recognition for our noble initiative.

APPRECIATION

I take this opportunity to convey my sincere gratitude to the government of Kenya, key shareholders, all the authorities and agencies that provide their support to Kenya Re.

To our valued customers, we appreciate your support and we value your business and partnerships. I would also like to thank my fellow Directors, our committed staff for their tireless efforts and dedication in maximizing returns for all stakeholders and the Corporation as a whole.

DAVID K. KEMEI
CHAIRMAN

Tangazo La Mwenyekiti

Katika juhudi za kuipa jamii shukrani, Kenya Re ilizindua kampeni ya ***'Niko Fiti 'Ability Beyond Disability'*** mwaka wa 2011. Huu ni mpango wa Jukumu la Shirika kwa Jamii, mradi wa Shirika hili ambao unalenga kuwapa uwezo zaidi Walemavu ili waweze kuendesha shughuli zao za kila siku bila usumbufu mwingi, kuwawezesha kupata elimu na ajira na hivyo kuchagia katika ukuaji wa uchumi.

Mr. David Kibet Kemei - Chairman & Non-Executive Director

DIBAJI

Ninaona fahari kubwa kuwasilisha tangazo langu la pili kama Mwenyekiti wa shirika la Kenya Reinsurance Corporation. Tulifanikiwa kupitia nyakati ngumu kiuchumi hadi tukaibuka na matokeo mazuri katika biahsara yetu. Huu ni mwaka wetu wa pili kutangaza matokeo ya Shirika hili yanayotokana na kampuni kuu pamoja na tanzu zake mbili. Mbali na Makao yetu Makuu yaliyo jijini Nairobi; tunapatikana katika miji miwili mikuu ya Afrika, Abidjan nchini Ivory Coast na Lusaka nchini Zambia. Ninaona fahari kuwasilisha kwenu ripoti ya kila mwaka ya 2016 pamoja na ripoti za kifedha za Kenya Reinsurance Corporation.

MAZINGIRA YA KIBIASHARA

Katika mwaka wa 2016, mazingira ya kibiashara yalijaa changamoto katika uchumi wa kiwango kidogo na kikubwa. Kutokana na ongezeko la mashirika mapya katika sekta hii nchini Kenya, kiwango cha ushindani kimeongezeka na kuchangia kupungua kwa kiwango cha ukuaji wa malipo ya bima katika sekta za bima ya kawaida na bima kuu.

Aidha, masoko ya bima yalijikokota sana katika malipo ya bima yaliyokuwa tayari, hali ambayo ilichangia kutafuta jinsi ya kujaza pengo la kifedha lililoachwa na madeni kwa mujibu wa sera za Shirika kuhusu madeni. Mapato yaliyotokana na uwekezaji yalipungua ukilinganisha na mwaka wa 2015. Hali ilikuwa hivyo katika masoko ya hisa pamoja na vyombo vya benki.

Mfumko mkubwa wa bei nchini Sudan Kusini pia ulichangia pakubwa katika kudidimia kwa biashara ya Shirika inayohusiana na soko hilo. Shirika hili pia lilipata hasara kutokana na ubadilishanaji wa pesa za kigeni katika mataifa mengine ambayo huendesha biashara ya mtaji, hali iliyochangia ongezeko lisilotarajiwa la gharama ya kuendesha biashara.

Katika kukabiliana na changamoto hizi, Shirika hili limeweka mkakati maalum wa miaka mitano unaojumuisha mikakati tekelezi ambayo itashughulikia matokeo ya kifedha.

MIELEKEO YA SEKTA HII

Shirika la Kenya Re linatambua mabadiliko ya mahitaji ya wateja wake katika ulimwengu huu unaobadilika kila wakati, kwa hivyo limewekeza katika utafiti na ubunifu. Suluhisho faraguzi kwa hali ya hatari lililobuniwa na shirika hili kwa ajili ya mahitaji ya kibinafsi ya mteja linatiwa nguvu zaidi na wafanyakazi wenye utaalamu wa juu.

Shirika hili limejitolea kupigisha hatua maendeleo ya sekta ya bima humu nchini na kimataifa kupitia mipango ya kutoa mafunzo pamoja na matumizi ya Teknolojia ya Habari na Mawasiliano kwa madhumuni ya kuboresha mawasiliano na utoaji huduma kwa wateja wetu wapendwa. Zaidi ya hayo, tunaendelea kujitahidi kupata ustawi endelevu katika uzalishaji wa faida na uzidishaji thamani ya wenyehisa.

MATOKEO YA KIFEDHA

Nina furaha kutaja kwamba tulipata faida katika mwaka wa 2016. Jumla ya malipo ya bima, mapato kutokana na uwekezaji, faida, fedha za wenyehisa na rasilmali zisizokuwa pesa, miongoni mwa viashiria vingine, vilikua kwa kiwango cha kuridhisha. Shirika hili lilipata mapato ya bima ya Ksh13.2 bilioni katika kipindi kinachochanganuliwa ikilinganishwa na Ksh13.0 bilioni za mwaka 2015. Mapato ya malipo ya bima baada ya kutoa gharama yalikua kwa 6% kutoka Ksh12 bilioni mwaka 2015 hadi Ksh12.6 bilioni katika mwaka wa 2016. Jumla ya mali zisizokuwa pesa za shirika hili ziliongezeka kwa 7% hadi Ksh38.4 bilioni kutoka Ksh35.9 bilioni katika mwaka wa 2015.

MKAKATI WETU WA SIKU ZIJAZO

Mkakati wetu wa miaka mitano ijayo umeundwa ili kutuwezesha kukiuka changamoto za kiuchumi na wimbi la ghafla katika masoko huku tukiiweka biashara yetu katika nafasi nzuri ya kunasa nafasi zinazojitokeza katika masoko ya kitaifa na kimataifa. Utekelezaji wa mkakati wetu wa shirika na msaada usiokatika kutoka kwa wateja wetu utatusaidia kuzidisha ukuaji wa biashara ya bima kuu, kuendeleza usimamizi wa shirika, na kuongeza mgao wetu sokoni pamoja na thamani ya wenyehisa.

UKUAJI WA KIBIASHARA

Shirika la Kenya Re linajizatiti kutoa huduma bora na za kiwango cha kimataifa za bima kuu kwa wateja wetu kote, na uchanganuzi pamoja na utekelezaji wa mkakati wetu wa shirika kila mwaka utatuongoza kufanikisha dhamira yetu ya jumla.

Tunalenga kuingia katika maeneo mengine yenye nafasi mpya ili kusaidia kutoa suluhu za za kupunguza hatari na kupendekeza bidhaa na huduma kadhaa ambazo zitazinufaisha pakubwa kampuni za bima kote.

JUKUMU LA SHIRIKA KWA JAMII

Katika juhudi za kuipa jamii shukrani, Kenya Re ilizindua kampeni ya Niko Fiti 'Ability Beyond Disability' mwaka wa 2011. Huu ni mpango wa Jukumu la Shirika kwa Jamii, mradi wa Shirika hili ambao unalenga kuwapa uwezo zaidi Walemavu ili waweze kuendesha shughuli zao za kila siku bila usumbufu mwingi, kuwawezesha kupata elimu na ajira na hivyo kuchangia katika ukuaji wa uchumi. Hili limefanikiwa kupitia kuwapa vifaa vya kuwawezesha kutembea kama vile viti vya magurudumu, viti maalum, baiskeli za walemavu, fimbo maalum, mikongojo, viatu vya ulemavu wa mguu, mifuko ya mkojo na miguu bandia.

Kampeni yetu ya wanajamii (CSR) sasa inatambuliwa kitaifa kwa kusaidia watu wanaoishi na ulemavu kutembea kwa kuwapa vifaa vya kuwasaidia. Kwa kufanya hivyo, walionufaika sasa wanaweza kushiriki katika shughuli za kila siku za jamii na kitaifa ili kujenga nchi. Kampeni hii pia inalenga kumaliza unyanyapaa unaohusishwa na ulemavu nchini Kenya.

Tangu kuasisiwa kwake mwaka wa 2011, Shirika hili limepokea tuzo tatu kutokana na kampeni ya Jukumu la Shirika kwa Jamii (CSR), tuzo ya mwaka 2013 katika sherehe za tuzo za PRSK Awards, Tuzo za Kampeni ya Mwaka 2014 katika sherehe ya Malkia Tribute Awards na tuzo ya Corporate Leadership Award (2014) katika hafla ya Annual Disability Rights & Advocacy Awards (ADARA). Majuzi zaidi, kampeni hii imetunukiwa tuzo ya CSR iliyo Jumuishi Zaidi' katika sherehe ya 2016 Diversity and Inclusion Awards, hii ikiwa ni ishara madhubuti ya matokeo ya mradi huu nchini. Tunapozidi kujitolea, tunatumai tutatambuliwa hata zaidi kwa mpango wetu huu muhimu.

SHUKRANI

Ningependa kuchukua nafasi hii kuipa shukrani zangu serikali ya Kenya ambayo ndiyo mwenyehisa mkuu, pamoja na mamlaka zote na mashirika ambayo yaliipa Kenya Re msaada.

Kwa wateja wetu wapendwa, tunatambua mchango wenu na tunathamini sana biashara mlizotupa sisi pamoja na ushirikiano wenu. Pia ningependa kuwashukuru wakurugenzi wenzangu, wafanyakazi wetu wenye uzoefu na waliojitolea kwa juhudi zao kuhakikisha kwamba tunapata mapato ya juu kwa ajili ya wadau wetu na Shirika hili kwa jumla.

DAVID K. KEMEI
CHAIRMAN

KENYA REINSURANCE CORPORATION LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors submit their report together with the audited financial statements for the year ended 31 December 2016. In accordance with Section 42 of the Sixth Schedule, Transitional and Saving Provisions, of the Kenyan Companies Act, 2015, this report has been prepared in accordance with Section 157 of the repealed Companies Act, as if that repeal had not taken effect.

1. 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 19 September 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 starting in 2015, while, the Zambian subsidiary started operating in 2016.

2. PRINCIPAL ACTIVITIES

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

3. RESULTS

	GROUP		COMPANY	
	2016	2015	2016	2015
	KShs ‘000	KShs ‘000	KShs ‘000	KShs ‘000
Profit before tax	4,218,086	4,514,136	4,309,404	4,390,705
Tax charge	(930,802)	(959,886)	(930,802)	(957,086)
Profit for the year transferred to retained earnings	**3,287,284**	**3,554,250**	**3,378,602**	**3,433,619**

4. DIVIDENDS

The directors recommend the payment of a first and final dividend of KShs 0.80 (2015: KShs 0.75) per share totalling to KShs 560 million for the year ended 31 December 2016 (2015: KShs 525 million).

5. 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. David Kemei, Mr. Maina Mukoma and Mr. Chiboli Shakaba retire by rotation as Directors and, being eligible, offer themselves for re- election at the Annual General Meeting to be held on 16 June 2017.

KENYA REINSURANCE CORPORATION LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2016

6. SECRETARY

The Company's Secretary is Mr Charles Kariuki.

7. 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 2016.

BY ORDER OF THE BOARD

Secretary

Nairobi

30th March 2017

Managing Director's Statement

Our investment portfolio grew by 8% from Kshs29.7 billion in 2015 to Kshs32.1 billion in 2016. Real time market intelligence guided our response to the market changes and the uptake of investment opportunities. We engaged in active management of the quoted equity portfolio for enhanced returns from capital gains and dividends.

Mr. Jadiah Mwarania - Managing Director

PERFORMANCE

It gives me great pleasure to present to you the Group Annual Report of the Kenya Reinsurance Corporation Ltd for the year ended 31st December 2016.

As a leading reinsurer in the region, we aim to achieve overall desired performance through focusing on efficient internal processes, innovation and development, offering new covers to our clients in addition to aggressive marketing.

In 2016, we encountered a number of challenges that ranged from slowed economic growth around the world, increased competition, premium undercutting and consequently slowed market expansion and setting up of national reinsurance companies in some markets. Other challenges included the capping of interest rates in Kenya as well as several countries domesticating reinsurance markets with the effect of reducing available business to foreign reinsurers.

To counter these challenges, we developed a comprehensive five year strategic plan for the period 2017 - 2021. This strategy is premised on five strategic pillars on which key performance indicators and targets are based. The five pillars are financial performance, business process improvement, business development, risk management as well as people and culture.

We changed our vision and mission statements and for the first time came up with a statement of purpose. These statements are as follows:

Statement of Purpose: Seamless Stability

Vision: Global Partner in securing the future

Mission: **We provide risk management solutions that secure the future and create value for stakeholders.**

FINANCIAL PERFORMANCE

We are pleased to announce positive results for financial year 2016. Continuous review and implementation of the corporate strategy enabled the achievement of profitability amidst a fiercely competitive and dynamic reinsurance business environment. The profit before tax for the year 2016 stood at Kshs 4.2 billion. The net earned premiums grew by 6% from Kshs. 12 billion in the year 2015 to Kshs.12.6 billion in 2016.

Gross written premiums grew by one percent from Ksh13.06 billion in the year 2015 to Ksh13.24 billion in 2016 while the net earned premiums grew from Ksh12.01 billion in 2015 to Ksh12.68 billion, a 6% growth. Our growth was slowed down by a series of challenges such as slowed economic growth across the globe especially in Sub Sahara Africa, the capping of the Interest rates which dented growth prospects for the economy as well as slow payment of due premiums leading to provisions for outstanding debts.

Investment income grew from Kshs3.04 billion in 2015 to Kshs3.08 billion in 2016. Net claims dropped by 6% from Kshs7.1 billion in 2015 to Kshs6.6 billion in 2016. However, operating expenses grew by 39% due to forex losses incurred from our foreign markets. These forex losses included unrealized losses from the Southern Sudan market owing to the hyperinflation experienced in that country.

We enhanced customer service levels towards tenants, actively managed the equity portfolio, engaged in real time market intelligence and reallocated funds into Government securities to guard against the interest rate capping. These efforts steered the Corporation into profitability in the year 2016.

FINANCIAL POSITION

Our investment portfolio grew to Kshs28.28 billion in 2016 up from Kshs27.06 billion in 2015. The asset base increased from Kshs35.95 billion in 2015 to Kshs38.49 billion in 2016, a 7% growth. Shareholders' funds increased from Kshs21.93 billion in 2015 to Kshs24.13 billion in 2016, which was a 10% growth. To this end the Corporation proposed a cash dividend of Kshs0.80 per share to be paid out.

Key performance drivers that are responsible for the positive financial state of the organization include prudent underwriting, customer orientation and focus, market expansion and enlargement as well as strengthened intermediary relationships.

We sustained our financial strength rating of B+ as rated by A.M Best Company and AA by the Global Credit Rating Agency. Further, we retained our ISO Certification (ISO 9001:2008) and received recertification after satisfying all the requirements. The ISO process continues to guide the Corporations' internal processes and enhance the customer experience.

MARKET AND PRODUCT DEVELOPMENT

The operating environment was tough, nonetheless we increased our facultative and treaty reinsurance business portfolios. We wrote new business and expanded our existing market in a bid to increase our market share. Streamlined and automated internal processes enabled us to deliver efficiently and on time. Going forward we will innovate new products, manage claims efficiently and respond to emerging needs in line with global advancements.

We undertook technical market trainings on various insurance and reinsurance subjects such as property, marine, medical, oil and gas, political risks, casualty, professional indemnity, individual life and group life reinsurance in various countries including Kenya, Cameroun, Senegal, Tunisia, Tanzania, Uganda, Ethiopia, Rwanda and Burundi.

Retakaful business growth was impressive. We are present in Africa, Middle East and Asia insurance markets.

The end of year 2016 coincided with the domestication of the marine insurance in Kenya which we anticipate to spur marine insurance premiums in subsequent years.

In November 2016 we launched Kenya Re Zambia as our Southern Africa regional office. It is a fully owned subsidiary of the Corporation. The office is now fully operational in Lusaka Zambia. The colorful launch ceremony was well attended by the Insurance and Pension Authority of Zambia, Zambia insurance market, brokers and other stakeholders.

INVESTMENTS

Our investment portfolio grew by 8% from Kshs29.7 billion in 2015 to Kshs32.1 billion in 2016. Real time market intelligence guided our response to the market changes and the uptake of investment opportunities. We engaged in active management of the quoted equity portfolio for enhanced returns from capital gains and dividends. Funds were reallocated to different asset classes based on risk and return. Investment in Government securities countered the effects of interest rate capping. We enhanced customer service levels to our tenants in order to maintain high occupancy levels in our four commercial buildings.

INVESTMENTS IN TECHNOLOGY

Information technology was the bedrock of our operations. We adopted systems that were suitable and provided a significant improvement on our processes. We fully implemented a robust integrated enterprise resource planning (ERP) system to efficiently conduct our internal operations.

In 2017, we are in the process of implementing a new reinsurance management technology system that will improve controls, eliminate manual interfaces, consolidate business applications and enhance data integrity among other benefits. This software will improve our service delivery and enhance efficiency as well as effectiveness of our business processes.

In 2016, the Corporation embarked on an email cloud solution, Mimecast, that allows emails to be accessed from remote locations outside the office. In 2017, we are undertaking an Electronic Content Management (ECM) system with the objectives of achieving a paperless working environment as well as easy and faster retrieval of archived documents.

A Virtual Desktop Infrastructure (VDI) system was acquired and implementation is ongoing in 2017. The system enables seamless access of systems from any platform such as Android Phones, Ipads and other electronic devices thus making approvals seamless and consequently increase efficiency.

BRAND EQUITY

Our Brand Equity index has been on a steady rise. In 2012, it stood at 48% and rose to 63% in 2013, 70% in 2014, 75% in December 2015 and 87% as at December 2016. Key indicators that the brand equity analyses include brand engagement, perception, positioning, competitiveness and customer satisfaction all of which cumulatively contributed towards the score of 87%.

The brand equity survey established that Kenya Re is perceived as a well-known Kenyan brand with good customer service and equally good CSR activities. The Corporation enjoys enhanced positive publicity, strong financial performance, sustained market presence as well as an award winning CSR initiative that is unique and well recognized in the country.

HUMAN CAPITAL

We started a culture change journey where consultants were engaged to conduct a culture assessment and recommend a culture change implementation plan that would see the Corporation embrace a high performing culture. Towards this end the senior management team had a culture visioning session where the statement of purpose was developed.

We conducted a successful team building session for all employees which was aimed at building a cohesive team and encouraging staff to work as a team to deliver on the corporate objectives. We have continued to increase human resources capacity. In 2016 we engaged four employees for our subsidiary in Zambia, one for our subsidiary in Cote D'Ivoire and 19 employees (9 permanent, 10 contract) for the headquarters in Nairobi Kenya.

In addition we set up two new departments in the Reinsurance division, an Actuarial and a Research and Development department. The staff compliment in Cote D'Ivoire is seven staff while that in Zambia is five staff.

Balanced Scorecard (BSC) was adopted as the tool for performance management five years ago by the Corporation. The BSC has enabled us to focus on specific objectives under the four main perspectives of the scorecard that include Finance, Customer Service, Internal Business Processes and Learning and Growth.

CORPORATE SOCIAL RESPONSIBILITY

We recognize the importance of social responsibility and over the years we have demonstrated our commitment through financial and emotional support to persons living with disability in Kenya. Our CSR initiative dubbed "Niko Fiti - Ability beyond Disability" campaign has improved the quality of life of persons living with disability through empowering them to get through their

daily operations with minimal dependency as well as giving them a chance to contribute to the socio-economic building of the economy.

Niko Fiti CSR Campaign was recognized as the most Inclusive CSR during the 4th Diversity and Inclusion Awards held in 2016. This unique annual awards program has been established specifically to acknowledge, encourage and celebrate excellence amongst Kenyan institutions and individuals. The Awards are the highest honours that can be bestowed to Government ministries, Government agencies, the Corporate, and Business owners/Leaders in the Country.

Over 1,000 beneficiaries were assisted in 2016 with assistive devices such as white canes, slate and stylus, braille papers, diapers and mobile vending units with initial sales merchandise. The outreaches were carried out in Nairobi, Mombasa, Eldoret and Kisumu. Niko Fiti continues to be a major contributor to Kenya Re's brand awareness efforts and goodwill with the Kenyan public.

Environmental conservation is another CSR activity that Kenya Re has undertaken for the past four years. In 2016 3,000 trees were planted by the Corporation at the Kibiko Secondary School. At the end of 2016, a total of 6,000 trees had been planted at the school by the Corporation. In addition to the trees, 30 computers were donated to the school towards their computer laboratory in 2016.

THE FUTURE

We will continue to adopt and implement a five year strategic plan in order to achieve our set strategic objectives. The current strategic plan covers years 2017 to 2021. We believe that the set strategic objectives will steer the Corporation to the desired state. The five year strategic business plan is premised on five key strategic objectives.

The first strategic objective is to attain sustainable robust financial performance in order to grown stakeholder value. Under this objective the key result areas are premium growth, maximization of investment income, growth in shareholder funds, efficient credit control management, cost containment, return on shareholder funds, financial reporting and investor relations.

The second objective is to maintain systems and processes that address business needs and stakeholder interests. The key result areas under this are improvement of process turnaround time, alignment of technology to business objective, reviewing of operating procedures, process standardization and customer experience.

The third strategic objective is grow and diversify quality portfolios for business sustainability. The key result areas under this objective are enhance business development, market research and understanding, grow market share in the Corporation's targeted markets, business profile, branding and positioning, use of market data and intelligence to generate strategic decisions and improve the business mix.

The fourth strategic objective is to maintain robust risk management initiatives in order to achieve corporate objectives. The key result areas under this objective are management of key risks, corporate governance, monitoring and evaluation, internal controls and internal control systems review.

The fifth and final strategic objective is to develop human resources and culture in order to match the Corporation's performance requirements. The key result areas under this are diversity and promotion of equal opportunities, communication of business strategy and related performance requirements, staff training and development, succession planning and business continuity, performance management and organizational culture.

CONCLUSION

In conclusion, I take this opportunity to thank the Board of Directors for their support and guidance. I most sincerely thank all our customers for believing in us, and our shareholders and other stakeholders for trusting and having faith in us. I am grateful to the entire team of Kenya Reinsurance Corporation for their dedicated support that has driven the performance of the Corporation.

Thank you and May God richly bless you.

JADIAH MWARANIA, OGW
MANAGING DIRECTOR

Tangazo na Ripoti ya Mkurugenzi Mkuu

Kitengo chetu cha uwekezaji kilikua kwa 8% kutoka Ksh29.7 bilioni katika mwaka wa 2015 hadi Ksh32.1 bilioni mwaka wa 2016. Upelelezi wetu wa soko kwa wakati unaofaa ulielekeza mwitikio wetu kwa mabadiliko ya sokoni na kukumbatia nafasi za uwekezaji. Tulishiriki kikamilifu katika usimamizi wa biashara ya hisa zilizonukuliwa kwa ajili ya kupata mapato yaliyoimarika kutokana na faida ya mtaji na migao.

Mr. Jadiah Mwarania - Mkurugenzi Mkuu

MATOKEO

Ninaona fahari kuu kuwasilisha kwenu Ripoti ya Kila Mwaka ya Shirika la Kenya Reinsurance Corporation Ltd kuhusu mwaka uliokamilikia tarehe 31 Desemba 2016.

Kama kampuni nambari moja ya bima katika ukanda huu, tunalenga kufanikisha matokeo ya jumla yanayotarajiwa kupitia kumakinikia kwa harakati bora za ndani, ubunifu na ustawi, huku tukiwapa wateja wetua bima mpya mbali na ukakamavu mkuu katika uendeshaji wa bidhaa/huduma.

Katika mwaka wa 2016, tulipitia changamoto kadhaa kuanzia kwa kudumaa kwa ustawi wa uchumi kote duniani, ongezeko la ushindani, na usitishaji wa malipo ya bima ndizo hali zilizochangia pakubwa kupungua kwa upanuzi wa soko na uzinduzi wa kampuni kuu za bima za kitaifa katika baadhi ya masoko. Changamoto nyinginezo zilijumuisha upunguzaji wa viwango vya riba nchini Kenya pamoja na baadhi ya nchi kuamua kutaifisha masoko ya bima kwa lengo la kupunguzia kampuni za bima za kigeni katika biashara zilizopo.

Katika kukabiliana na changamoto hizi, tulibuni mkakati madhubuti wa miaka mitano kuanzia mwaka 2017 -2021. Mkakati huu umeegemezwa kwenye nguzo tano kuu ambazo zitahimili viashiria muhimu vya utendakazi pamoja na malengo. Nguzo hizo tano zinajumuisha matokeo ya kifedha, uimarishaji wa uendeshaji wa biashara, ustawishaji biashara, ukabilianaji wa hatari, pamoja na watu na tamaduni zao.

Tulibadilisha tamko la maono na huduma yetu na kwa mara ya kwanza kisha tulibuni kauli yenye dhamira. Kauli hizi ni kama ifuatavyo:

Kauli ya Dhamira: **Maendeleo endelevu**

Maono: **Mshirika wa Kilimwengu katika kuupatia mustakabali usalama**

Azma: **Tunatoa suluhu za kukabiliana na hatari ambazo hufanya mustakabali salama wa maisha na kuwaandalian wenyehisa thamani ya uwekezaji wao.**

MATOKEO YA KIFEDHA

Tunaona fahari kutangaza matokeo mazuri katika mwaka wa kifedha wa 2016. Urekebishaji na utekelezaji wa kila mara wa mkakati wa shirika uliwezesha upataji faida katika mazingira yenye ushindani mkali na yanayobadilikabadilika. Faida kabla ya ushuru ya mwaka wa 2016 iligonga Ksh4.2 bilioni. Malipo ya bima baada ya kutoa gharama yaliongezeka kwa 6% kutoka Ksh12 bilioni katika mwaka wa 2015 hadi Ksh12.6 bilioni katika mwaka wa 2016.

Jumla ya mapato ya malipo ya bima yalikuwa kwa asilimia moja kutoka KSh13.06 bilioni katika mwaka wa 2015 hadi Ksh13.24 bilioni katika mwaka wa 2016 huku mapato ya malipo ya bima baada ya kutoa gharama yakiongezeka kutoka Ksh12.01 bilioni katika mwaka wa 2015 hadi Ksh12.68 bilioni, ikiwa ni ukuaji wa 6%. Ukuaji wetu ulitatizwa na msururu wa changamoto kama vile kupungua kwa kasi ya ukuaji wa uchumi kote duniani hasa katika ukanda wa kusini mwa Sahara ya Afrika, upunguzaji wa viwango vya riba uliolemaza nafasi ya ukuaji wa uchumi pamoja na kupunguza malipo ya bima zilizokuwa tayari, hali iliyosababisha kutafuta pesa za ziada za kulipia madeni yaliyokuwa yamepitisha muda wa kulipa.

Mapato ya uwekezaji yalikua kutoka Ksh3.04 bilioni katika mwaka wa 2015 hadi Ksh3.08 bilioni katika mwaka wa 2016. Mapato ya malipo ya bima baada kuondoa gharama yalipungua kwa 6% kutoka Ksh7.1 bilioni katika mwaka wa 2015 hadi Ksh6.6 bilioni katika mwaka wa 2016. Hata hivyo, gharama ya kuendeshea biashara iliongezeka kwa 39% kutokana na hasara ya pesa za kigeni iliyotokea katika masoko yetu ya kigeni. Hasara hizi za kigeni zilijumuisha hasara isiyobainishwa na iliyotokea katika soko la Sudan Kusini hasa kutokana na mfumko mkubwa zaidi wa bei ulioshuhudiwa katika nchi hiyo.

Tuliimarisha viwango vya huduma zetu kwa wateja, tukafanikiwa kudhibiti vyema kitengo cha hisa, tukaendesha vyema upelelezi wa masoko katika muda ufaao na tukatengea hati za dhamani za serikali fedha kwa lengo la kuzuia makali ya kupunguzwa kwa viwango vya riba. Juhudi hizi zilielekeza Shirika hili kwenye faida katika mwaka wa 2016.

HALI YA KIFEDHA

Kitengo chetu cha uwekezaji kilikua hadi Ksh28.28 bilioni katika mwaka wa 2016 kutoka Ksh27.6 katika mwaka wa 2015. Kiwango cha mali zetu zisizokuwa pesa kilikua kutoka Ksh35.95 bilioni katika mwaka wa 2015 hadi Ksh38.49 bilioni mwaka 2016, ikiwa ukuaji wa 7%. Fedha za wenyehisa ziliongezeka kutoka KsH21.93 bilioni katika mwaka wa 2015 hadi Ksh24.13 bilioni katika mwaka wa 2016, ambao ni ukuaji wa 10%. Hadi kufikia hapo, Shirika hili lilipendekeza mgao wa pesa taslimu wa Ksh0.80 kwa kila hisa ulipwe.

Vichocheo vikuu katika matokeo mazuri ya fedha za shirika vilijumuisha busara katika uuzaji bima, umakinikiaji wa wateja, upanuzi na ukuzaji wa soko pamoja na mahusiano imara baina ya mashirika tanzu.

Tulidumisha nguvu zetu za kifedha kwa kupewa alama ya B+ na AM Best Company, na AA kutoka kwa shirika la Global Credit Rating Agency. Kadhalika, tulidumisha Viwango vyetu vya ISO) ISO 9001:2008) na kuidhinisha kwa mara ya pili baada ya kutimiza mahitaji yote. Harakati ya ISO inaendelea kuongoza uendeshaji wa ndani wa Shirika hili na kuimarisha huduma kwa mteja.

SOKO NA UKUZAJI WA BIDHAA

Mazingira tuliyohuduma yalikuwa magumu, hata hivyo tuliongeza vitengo vyetu vya biashara ya bima kuu ya vitivo na mikataba. Tulipata biashara mpya kupanua masoko yetu yaliyopo katika jitihada za kuongeza mgao wetu sokoni.

Harakati zetu za ndani zilizolainishwa na kufanywa kujiendesha zenyewe zilituwezesha kutekeleza wajibu wetu inavyofaa na kwa muda unaohitajika. Kuanzia sasa, tutabuni bidhaa mpya, kusimamia fidia ya bima vyema na kutimiza mahitaji ibuka kulingana na maendeleo ya kimataifa.

Tuliendesha mafunzo ya kiufundi katika masoko kuhusu mada mbalimbali za bima na bima kuu kama vile mali, suala la baharini, matibabu, mafuta na gesi, hatari za kisiasa, ajali, mapungufu ya kitaaluma, maisha ya mtu na bima ya makundi katika mataifa kadhaa ikiwemo Kenya, Cameroon, Senegal, Tunisia, Tanzia, Uganda, Ethiopia, Rwanda na Burundi.

Ukuaji wa biashara ya Retakaful pia uliridhisha. Tuko katika masoko ya bima ya barani Afrika, Mashariki ya Kati na Asia.

Mwisho wa mwaka 2016 ulisadifiana na utaifishaji wa bima ya shughuli za baharini nchini Kenya, ambayo tunatarajia kuzidisha malipo ya bima ya baharini katika miaka ijayo.

Katika mwaka wa 2016, tulizindua Kenya Re

Zambia kama afisi yetu katika ukanda wa Afrika ya Kusini. Ni utanzu unaomilikiwa kikamilifu na Shirika letu. Afisi hiyo sasa inahudumu kikamilifu jijini Lusaka, Zambia. Hafla ya kufana ya kuzindua afisi hiyo ilihudhuriwa vizuri na Mamlaka ya Bima na Pensheni nchini Zambia, sekta ya bima ya Zambia, madalali na wadau wengine mbalimbali.

UWEKEZAJI

Kitengo chetu cha uwekezaji kilikua kwa 8% kutoka Ksh29.7 bilioni katika mwaka wa 2015 hadi Ksh32.1 bilioni mwaka wa 2016. Upelelezi wetu wa soko kwa wakati unaofaa ulielekeza mwitikio wetu kwa mabadiliko ya sokoni na kukumbatia nafasi za uwekezaji. Tulishiriki kikamilifu katika usimamizi wa biashara ya hisa zilizonukuliwa kwa ajili ya kupata mapato yaliyoimarika kutokana na faida ya mtaji na migao. Fedha zilitengewa makundi mbalimbali ya mali kutegemea nadharia ya hatari na mapato. Uwekezaji katika hati za dhamana za Serikali ulififisha makali ya upunguzaji wa viwango vya riba. Tuliimarisha viwango vya huduma kwa mteja kwa ajili ya wateja wetu kwa lengo la kudumisha idadi kuu ya wapangaji katika majumba yetu manne ya kibiashara.

UWEKEZAJI KATIKA TEKNOLOJIA

Teknolojia ya habari ndiyo iliyokuwa msingi wa shughuli zetu. Tulikumbatia mifumo iliyofaa ambayo ilituwezesha kupiga hatua ya maana katika utendakazi wetu. Tulitekeleza mfumo thabiti wa Mpango wa Pamoja wa Uendeshaji wa Shughuli za Kibiashara (Intergrated Enterprise Resource Planning yaani ERP) kwa lengo la shughuli zetu za ndani kwa njia bora.

Katika mwaka wa 2017, tuko katika harakati ya kutekeleza mfumo mpya wa usimamizi wa bima kuu ambao utaimarisha udhibiti, kuondoa uendeshaji shughuli kwa njia ya mkono, kuleta pamoja harakati za kufanya maombi ya biashara na kuimarisha utendakazi pamoja na ufaafu wa harakati zetu za kibiashara.

Katika mwaka wa 2016, Shirika hili lilirejelea uendeshaji shughuli kwa mtandao huru wa baruapepe, Mimecast, ambao unaruhusu baruapepe kusomwa katika maeneo ya mbali nje ya afisi. Mwaka 2017, tunazindua mfumo wa Utunzaji wa Habari Kielektroniki (ECM) kwa malengo ya kufanikisha mazingira ya kikazi yasiyohitaji matumizi ya karatasi pamoja na upataji wa nakala zilizohifadhiwa mbali kwa njia rahisi na ya haraka.

Mfumo wa Kompyuta zisizohitaji muunganisho wa waya (VDI) ulianzishwa na utekelezaji wake unaendelea katika mwaka wa 2017. Mfumo huo unawezesha ufikiaji wa huduma bila kutatizika ukitumia kifaa chochote kile kama vile Simu za Android, Ipads na vifaa vingine vya kielektroniki na hivyo kufanya uidhinishaji kuwa usiotumia nyaya, hatua ambayo imeongeza ubora wa utendakazi.

HISA ZA KAMPUNI

Nambari ya usanjari ya Hisa zetu imekuwa ikiongezeka. Mnamo 2012, ilikuwa 48% na ikaimarika hadi 63% mwaka 2013, 70% mwaka 2014, 75% mnamo Desemba 2015 na 87% mwaka 2016. Viashiria vikuu ambavyo hisa za kampuni huchanganua vinajumuisha, mvuto wa sampuli, mtazamo, hadhi yake, umaarufu na uridhishaji wa wateja, vyote ambavyo kwa jumla vilichangia katika alama ya 87%.

Utafiti wa sampuli ya hisa hizo ulibaini kuwa Kenya Re inachukuliwa kama kampuni ya Kenya inayofahamika vyema na yenye huduma nzuri kwa wateja na yenye shughuli nzuri za Jukumu la Shirika kwa Jamii (CSR). Shirika hili linafurahia taswira yake nzuri kule nje, matokeo mazuri ya kifedha, uthabiti katika uwepo sokoni sawa na shughuli za CSR zinazoshinda tuzo ambazo ni za kipekee na zinazotambuliwa kote nchini.

MTAJI WA KIBINADAMU

Tulianzisha safari ya mabadiliko ya kitamaduni ambapo wataalamu wa ushauri walihusishwa katika kufanya utathmini na kupendekeza mpango wa mabadiliko ya kitamaduni ambayo yangewezesha Shirika hili kukumbatia tamaduni ya utendakazi wa hali ya juu. Hadi kufikia hapa, kikosi cha wakurugenzi wa ngazi za juu walikuwa na kikao cha kuunda tamaduni ambapo kauli ya dhamira ilibuniwa.

Tuliandaa hafla ya wafanyakazi wote kutangamana na kuingiliana kwa lengo la kujenga kikosi cha patanifu cha wafanyakazi ambapo pia walihimizwa kufanya kazi kwa umoja ili kutimiza dhamira ya shirika. Tumeendelea kuongeza idadi ya wafanyakazi. Katika mwaka wa 2016 tuliwahusisha wafanyakazi wanne katika kampuni tanzu yetu nchini Zambia, mmoja katika utanzu wetu nchini Ivory Coast na 19 (9 wenye ajira ya kudumu, 10 wa kandarasi) katika makao yetu makuu jijini Nairobi, Kenya.

Kadhalika, tuliunda idara mbili mpya katika kitengo chetu cha Bima Kuu, idara ya uchanganuzi wa data za bima, hatari zake na malipo ya bima yaani 'Actuaria'l na Utafiti, na idara ya Ustawishaji. Wafanyakazi wetu nchini Ivory Coast ni saba na watano wako nchini Zambia.

Miaka mitano iliyopita shirika hili lilianzisha Kigezo cha Usawa (BSC) kama chombo cha kusimamiza utendakazi. BSC imetuwezesha kuzingatia dhamira mahsusi chini ya mitazamo minne mikuu ya kigezo hicho ambayo ilijumuisha

Fedha, Huduma kwa Wateja, Harakati za Ndani za Kibiashara na Kujifunza na Ukuaji.

JUKUMU LA SHIRIKA KWA JAMII

Tunatambua umuhimu wa jukumu la shirika kwa jamii na katika miaka kadhaa iliyopita tumedhihisha kujitolea kwetu kupitia msaada wa kifedha na kinafsia kwa walemavu nchini Kenya. Mradi wetu wa CSR unaoitwa kampeni ya 'Niko Fiti – Ability Beyond Disability' umeimarisha hadhi ya maisha ya walemavu kupitia kuwawezesha kufanikisha shughuli zao za kila siku bila kutegemea wengine pakubwa sawa na kuwapa nafasi ya kuchangia katika ujenzi wa uchumi kiuchumi-jamii.

Kampeni ya kijamii ya Niko Fiti ilitambuliwa kama kampeni ya kijamii jumuishi zaidi katika hafla ya 4 ya tuzo za Diversity and Inclusion Awards zilizofanyika mwaka 2016. Mpango huu wa kipekee wa tuzo za kila mwaka umebuniwa mahsusi ili kutambua, kuhimiza na kusherehekea ubora kikazi miongoni mwa taasisi za Kenya na watu binafsi. Tuzo hizo ndizo heshima kuu ambazo wizara za Serikali, mashirika ya Kiserikali, Mashirika ya Kibiashara na wamiliki wa Biashara/ viongozi nchini wanayoweza kutunukiwa.

Zaidi ya watu 1,000 walisaidiwa, katika mwaka wa 2016, na vifaa vya kuwasaidia maishani kama vile mikongojo myeupe ya kutembelea, vifaa vya vipofu kuandikia, karatasi za vipofu kuandikia, sodo na vifaa vya uchuuzi vinavyohamishika pamoja na bidhaa za mtaji za kibiashara. Shughuli hizo ziliendeshwa Nairobi, Mombasa, Eldoret na Kisumu. Kampeni ya Niko Fiti inaendelea kuchangia pakubwa katika juhudi za kuipa Kenya Re umaarufu pamoja na nia njema kutoka kwa Wakenya.

Utunzaji wa Mazingira ni shughuli nyingine ya shughuli zetu za kijamii ambazo Kenya Re imeshughulikia kwenye kipindi cha miaka minne iliyopita. Katika mwaka wa 2016, zaidi ya miti 3,000 ilipandwa na Shirika hili katika Shule ya Sekondari ya Kibiko. Mwishoni mwa 2016, jumla ya miti 6,000 ilikuwa imepandwa katika shule hiyo na Shirika hili. Mbali na miti hiyo, shule hiyo ilipewa kompyuta 30 kusaidia kuimarisha maabara yao ya kompyuta katika mwaka wa 2016.

MUSTAKABALI

Tutaendelea kukumbatia na kutekeleza mkakati wetu wa miaka mitano ili kufikia dhamira zetu maalum tulizoweka. Mkakati wa sasa unahusisha mwaka 2017 hadi 2021. Tunaamini kwamba dhamira hizo maalum utainua Shirika hili hadi kiwango kinachotazamiwa. Katika lengo hili vitengo muhimu vya kuleta matokeo vinajumuisha ukuzaji wa malipo ya bima, uzidishaji wa mapato ya uwekezaji, ukuaji wa fedha za wenyehisa, usimamizi mzuri katika kudhibiti madeni, upunguzaji gharama, mapato kwenye fedha za wenyehisa, ushughulikiaji ripoti za kifedha na mahusiano ya wawekezaji.

Lengo la mkakati wa pili ni kudumisha mifumo na harakati zinazoshughulikia matakwa ya kibiashara na maslahi ya wadau. Vitengo muhimu vya matokeo chini ya dhamira hii vinajumuisha uimarishaji wa muda wa harakati za kuleta mafanikio, uoanishaji wa teknolojia na dhamira na dhamira ya kibiashara, urekebishaji wa harakati za utendakazi, uimarishaji wa viwango vya harakati na mtagusano na wateja.

Lengo la mkakati wa tatu ni kukuza na kupanua vitengo vya ubora kwa ajili ya kudumisha biashara. Maeneo lengwa katika dhamira hii yanajumuisha ustawishaji wa biashara, utafiti na uelewa wa masoko, ukuzaji wa mgao wetu katika masoko lengwa ya Shirika, kitengo cha biashara, usampulishaji na utafutaji hadhi, matumizi ya data za matokeo kuhusu utafiti wa masoko na upelelezi wake ili kupata maamuzi muhimu na kuimarisha mseto wa biashara yetu.

Lengo la mkakati wa nne ni kudumisha mipango thabiti ya kukabiliana na hatari ili kufikia malengo ya shirika. Maeneo muhimu chini ya dhamira hii yanajumuisha kusimamia hatari kuu, usimamizi wa shirika, ufuatiliaji na tathmini, marekebisho ya mifumo ya vidhibiti vya ndani na vya nje.

Lengo la mkakati wa tano na ya mwisho ni kuboresha vitengo vya wafanyakazi, pamoja na desturi kwa lengo la kuoanisha mahitaji ya kiutendakazi ya Shirika. Maeneo muhimu chini dhamira hii yanajumuisha upanuzi na utetezi wa nafasi sawa, mawasiliano kuhusu mkakati wa kibiashara pamoja na mahitaji sawia ya utendakazi, mafunzo na ustawishaji wa wafanyakazi, mipango ya kurithisha na uendelezaji wa biashara, usimamizi wa utendakazi na desturi ya shirika.

TAMATI

Nikimalizia, ninachukua fursa hii kushukuru Bodi ya Wakurugenzi Wakuu kwa msaada na welekezi wao. Hasa ninawashukuru kwa dhati wateja wetu kwa kuendelea kuwa na imani nasi, na wenyehisa pamoja na wadau wetu kwa kutuamini. Nina furaha kwa kikosi kizima cha Shirika la Kenya Reinsurance kwa msaada wao usiokatika ambao umekuza matokeo ya Shirika hili.

Asanteni na Mungu azidi kuwabariki.

JADIAH MWARANIA, OGW
MKURUGENZI MKUU

KENYA REINSURANCE CORPORATION LIMITED

STATEMENT ON CORPORATE GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2016

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 five (5) regular and sixteen (16) 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:

Anthony Munyao	- Chairman
Protus Sigei	- (Alternate to CS, National Treasury)
Everest Lenjo	
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.

KENYA REINSURANCE CORPORATION LIMITED

STATEMENT ON CORPORATE GOVERNANCE (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

Committees of the Board (Continued)

Audit Committee (continued)

- 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 five (5) special meetings in the year under review.

Risk & Compliance Committee

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

Maina Mukoma - Chairman

Felix Okatch

Everest Lenjo

Anthony Munyao

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 meetings in the year under review.

Human Resources Committee

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

Felistas Ngatuny - Chairman

Jennifer Karina

Zipporah Mogaka

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 nine (9) special meetings in the year under review.

KENYA REINSURANCE CORPORATION LIMITED

STATEMENT ON CORPORATE GOVERNANCE (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

Committees of the Board (continued)

Finance and Strategy Committee

The membership of the Finance and Strategy Committee is comprised as follows:

Zipporah Mogaka - Chairman

Maina Mukoma

Jennifer Karina

Felix Okatch

Jadiah Mwarania

The Committee assists the Board in fulfilling its oversight responsibilities relating to the Company's finance, information and technology, procurement, investment strategies, reinsurance 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 2016 are disclosed in the notes to the financial statements under note 42. Non-executive directors are paid sitting allowances for every meeting attended. There were no arrangements for the directors to acquire benefits through the acquisition of the Company's shares. There were no loans advanced to directors during the financial year.

KENYA REINSURANCE CORPORATION LIMITED

STATEMENT ON CORPORATE GOVERNANCE (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

Directors' interests as at 31 December 2016:

	Number of shares	% Shareholding
The National Treasury of Kenya	420,000,000	60
Jadiah Mwarania	100,000	-
Jennifer Kabura Karina	55,889	-
Felix Okatch	2,000	-
Maina Mukoma	1,681	-
David Kibet Kemei	1,063	-
	420,039,072	**60**

	Number of shares	% Shareholding
Major Shareholders		
The National Treasury of Kenya	420,000,000	60.00
CFC Stanbic Nominees Ltd	28,447,800	4.06
CFC Stanbic Nominees Ltd A/C NR 1031141	16,716,800	2.39
CFC Stanbic Nominees Ltd A/C NR 1031144	11,383,200	1.63
Standard Chartered Nominees Ltd A/C KE22446	8,390,302	1.20
Investments & Mortgages Nominees Ltd A/C 028950	7,660,988	1.09
Co-op Bank Custody A/C 4003A	6,949,372	0.99
Kenya Commercial Bank Nominees Ltd A/C 915B	6,917,811	0.99
Kenya Commercial Bank Nominees Ltd A/C 915A	6,796,943	0.97
Standard Chartered Nominees Ltd A/C KE002382	6,720,500	0.96
	519,983,716	**74.29**

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

Shares Range	Shareholders	Number of Shares	% Shareholding
1 - 500	74,133	15,976,902	2.28
501 - 1,000	15,039	10,527,428	1.50
1,001 - 5,000	12,329	23,503,032	3.36
5,001 - 10,000	1,155	8,022,370	1.15
10,001 – 50,000	926	18,119,010	2.59
50,001 - 100,000	91	6,324,763	0.90
100,001 - 500,000	121	24,447,088	3
500,001- 1,000,000	31	21,323,968	3.05
1,000,001 & above	33	571,704,507	81.68
	103,858	**699,949,068**	**100.00**

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

KENYA REINSURANCE CORPORATION LIMITED
STATEMENT ON CORPORATE GOVERNANCE (continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

Nationality	Shareholders	Shares held	% Shareholding
Local Individual Investors	97,570	84,102,147	12.01
Local Institutional Investors	5,753	509,254,988	72.76
Foreign Investors	535	106,591,933	15.23
	103,858	**699,949,068**	**100.00**

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Director Director

30th March 2017

KENYA REINSURANCE CORPORATION LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

The Kenyan Companies Act, 2015, requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Group and the Company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the Group and the Company maintains proper accounting records that are sufficient to show and explain the transactions of the company and disclose, with reasonable accuracy, the financial position of the company. The directors are also responsible for safeguarding the assets of the company, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

(i) **designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;**

(ii) **selecting suitable accounting policies and applying them consistently; and**

(iii) **making accounting estimates and judgements that are reasonable in the circumstances.**

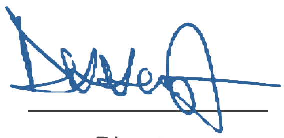
Having made an assessment of the Group's and the Company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the company's ability to continue as a going concern.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the board of directors on 30th March 2017 and signed on its behalf by:

Principal Officer

Director



Director

Management Team Profiles

JADIAH MWARANIA - MANAGING DIRECTOR

Mr. Jadiah 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 (FIIK). 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 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).

BETH S. NYAGA - GENERAL MANAGER (REINSURANCE OPERATIONS)

Beth S. Nyaga is the General Manager, Reinsurance Division. She holds over 25 years' experience in underwriting. Being in charge of the Reinsurance Division she oversees the management of reinsurance business from the Kenyan market, other African as well as the overseas markets. In addition, she also oversees the running Departments such as Claims, Actuarial, Research & Development, Retakaful as well as the South African Regional office & the West African Regional office.

She holds a Bachelor of Commerce degree from The University of Nairobi as well as a Master's in Business administration from The East & Southern African Management Institute. (ESAMI). She also holds a Fellowship and an Associate of the Chartered Insurance Institute of London (FCII & ACII) and the Insurance Institute of Kenya (IIK). She is also a Chartered Insurer.

MICHAEL J. MBESHI - 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 registered valuer as well as 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 has gained a lot of experience having managed various departments in the Corporation. He is a member of the Board of Trustees of Kenya Re Pension Scheme. He has over 25 years working experience.

Management Team Profiles

JAQUELINE NJUI - GENERAL MANAGER (FINANCE & INVESTMENT)

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.

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 (CPS (K).

Appendix F: Actuary's Certificate

Kenya Reinsurance Corporation Limited

Actuarial Valuation as at 31 December 2016

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 2016 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 2017

ALEXANDERFORBES

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA REINSURANCE CORPORATION LIMITED FOR THE YEAR ENDED 31 DECEMBER 2016

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

The accompanying financial statements of Kenya Reinsurance Corporation Limited set out on pages 52 to 132, which comprise the consolidated and company statement of financial position as at 31 December 2016, 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.

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 2016, 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 Companies Act, 2015.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of my report. I am independent of the Group and the Company in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

I draw attention to Note 44 of the financial statements, which describes a contingent liability in relation to tax assessment by Kenya Revenue Authority (KRA). The group is currently involved in a tax claim dispute with KRA, arising from KRA's demand of Kshs.1,272,488,000 relating to withholding tax on cedant acquisition costs and brokerage fees. The outcome of the tax claim is uncertain. However, the company has continued to hold discussions with KRA in an attempt to resolve the matter in contention with the assistance of its professional advisers. My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the consolidated and separate financial statements of the current year. These matters were addressed in the context of the audit of the consolidated and separate financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. For each matter below, a description of how the audit addressed the matter is provided in that context.

I have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of the report, including in relation to these matters. Accordingly, the audit included the performance of procedures designed to respond to the assessment of the risks of material misstatement of the financial statements. The results of the audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements.

No.	Key Audit Matter	How the audit addressed the key audit matter
1.	Credit risk and impairment of reinsurance receivables balances	
	Impairment of receivables is a highly subjective area due to the significant judgment and assumptions applied by management. The estimation of impaired receivables is made based on review of outstanding amounts at year-end. The losses arising from impairment are recognized in the statement of profit or loss while debts are written off after all efforts of recovery have been exhausted.	• The audit procedures included the testing and evaluation of controls over the underwriting process, recording and ageing of outstanding reinsurance receivables, and monitoring of the receivables by the group's credit control department. • The adequacy of the allowance for doubtful accounts, including the appropriateness of the methodology used and

No.	Key Audit Matter	How the audit addressed the key audit matter
	As disclosed in note 24 to these financial statements, judgement is applied in determining the appropriate parameters and assumptions used to calculate impairment of the receivables. For example, the assumptions of customers that will default, the expected future cash flows from the customers and the timing of the cash flows. Due to the significance of the reinsurance receivables balances of Kshs. 3,582,067,000, and the significant judgement involved in calculating impairment, particularly regarding the estimation of the expected future cash collections, this was considered a key audit matter.	assumptions made to calculate the allowance was evaluated. • Testing was performed, on a sample basis, on whether the group's assumptions on the expected future cash flows and timing of the cash flows were supported. • The audit also assessed whether the financial statement disclosures made, appropriately reflect the Group's credit risk and impairment provision on the receivables.
2.	Reinsurance Contract Liabilities	
	Under IFRS 4, management is required to estimate the amount of re-insurance contract liabilities and provide for possible current claims and periodically make assessment for the adequacy of these liabilities. The valuation of the Group's reinsurance contracts is dependent on a number of subjective assumptions about future experience as disclosed in notes 35 and 36 to the financial statements. Some of the economic and non-economic actuarial assumptions used in valuing insurance contracts are judgemental, in particular persistency (the retention of policies over time), longevity (the expectation of how long an annuity policyholder will live and how that might change over time), expenses (future expenses incurred to maintain existing policies to maturity).	• The key controls around the processes for analysing the economic and noneconomic assumptions used in the valuation of the reinsurance contract liabilities were tested. • Using internal actuarial specialists, the appropriateness of management's liability adequacy testing was assessed. This is a key test performed to check that the liabilities are adequate as compared to the expected future contractual obligations. The work on the liability adequacy tests included reviewing the assumptions adopted in the context of both the Group and industry experience and specific product features.

No.	Key Audit Matter	How the audit addressed the key audit matter
	The Group uses external actuaries to value both the life and non –life liabilities. This matter was considered significant to the audit because of the sensitivity of the valuation of the reinsurance contract liabilities to changes in the key assumptions. I also considered there to be a risk that the disclosures in Notes 34 and 35 to the financial statements which are significant to the understanding of the Group's insurance contracts liabilities are not complete.	• Recent experience and the appropriateness of the judgements applied by management on how future experience will evolve was also considered. • The adequacy of the disclosures regarding the reinsurance contract liabilities in the financial statements to determine that they were in accordance with IFRS was assessed.
3.	Revenue Recognition - Premiums income and un-earned premium reserves	
	The Group's business involves underwriting policies with tenure that does not align with the reporting period. The Group has estimated unearned premium reserves of Kshs. 4,513,703,000 (Note 39 to the financial statements) at 40% of the written premiums to defer premium income written but not earned during the reporting period. I considered this to be a key audit matter since the Group's financial results are significantly sensitive to changes in this judgement by the directors. I also considered there to be a risk that revenue is inappropriately reported to achieve desired financial results. I assessed that the opportunity to manipulate revenue creates a heightened risk where premiums are recorded in the	The audit approach included controls testing and substantive procedures covering, in particular: • Testing the controls over the underwriting process. • Performing an analysis of premiums income and unearned premiums based on our industry knowledge and forming an expectation of revenue based on key performance indicators taking into account changes in the Group's business. • Reviewing supporting documentation for premium income on a sample basis. • Checking that the revenue adjustments after year-end were

No.	Key Audit Matter	How the audit addressed the key audit matter
	improper period by not observing proper cut off procedures.	supported and processed in the correct period. • Involving internal actuarial specialists in checking whether the assumptions used to determine the un-earned premium reserves were supported.
4.	Valuation of investment property	
	As at 31 December 2016, and as disclosed in Note 18 to the financial statements, the carrying amount of the Group's investment property was KShs. 8,903,000,000 which includes fair value gain of Kshs. 813,513,000. The investment property is carried in the books using the revaluation model in accordance with the International Accounting Standard (IAS) 40 *Investment Property*. The Group's policy is to revalue the investment property annually using an external valuer. The basis adopted in the valuation of investment property was open market value assessed using the investment, cost and market comparison analysis methods. Given that the fair value of investment property involves significant estimation and assumptions (such as future rent rates, expected maintenance), and the importance of the disclosures relating to the assumptions used in the valuation	The following audit procedures were performed in response to this matter: • Evaluated the objectivity and independence of the external valuer. • Assessed whether the underlying assumptions applied in the determination of the fair value were justifiable in the context of the industry and nature of the investment property. • Assessed whether the valuation methodologies and assumptions adopted in determining the fair values of the investment property were in accordance with IFRS. • Evaluated whether the determined fair values were in line with the market values for similar property in similar locations.

No.	Key Audit Matter	How the audit addressed the key audit matter
	(Note 3(ii)) I considered this as a key audit matter.	• Assessed the adequacy of the Group's disclosures in respect of the assumptions used in valuation as set out in Note 3(ii) to the financial statements.
5.	Accounting for tax positions	
	Tax positions were significant to the audit because the assessment process involves judgement in the interpretation and application of tax laws and in assessing tax liabilities and contingencies that could arise from tax audits. In addition, the Group operates in different countries, all with different tax regimes and is therefore open to tax assessments from multiple tax authorities. Determination of provisions and contingent liabilities for income tax and indirect taxes requires the directors to make judgements and estimates in relation to the income tax computations and exposures arising from open tax assessments. As disclosed in Note 44 to the financial statements, the Group has open tax assessments and the determination of provisions and contingent liabilities arising from the open tax assessments make this a particular area of significant judgement. I also considered there to be a risk that the income tax disclosures in notes 11 and 37 which are significant to the understanding of the Group's tax position are not complete.	• The audit procedures included understanding the Group's processes for the recording and re-assessment of tax provisions and contingent liabilities. • The audit team included tax specialists to analyse the tax positions and to evaluate the assumptions used to determine tax positions. • Audit procedures were performed on the completeness and accuracy of the amounts recognized as current and deferred tax, including the assessment of the correspondence with tax authorities, reports of the lawyers involved in the current open tax assessment and evaluation of tax exposures. • Assessment of the adequacy of the Group's disclosures in respect of income tax was performed.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2015, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and Company's financial reporting process.

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 Responsibilities for the Audit of the Financial Statements

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Group and / or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements.

I communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide the Directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the Directors, I determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. These matters are described in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015 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, adequate accounting records 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 financial statements are in agreement with the accounting records.

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

30 March 2017

AFISI YA MKAGUZI MKUU WA MAHESABU

TAARIFA YA MKAGUZI MKUU WA MAHESABU KUHUSU SHIRIKA LA KENYA REINSURANCE CORPORATION LIMITED KATIKA MWAKA ULIOKAMILIKA DESEMBA 2016

RIPOTI KUHUSU UKAGUZI WA MAHESABU WA PAMOJA WA TAARIFA YA KIFEDHA

Maoni

Taarifa ya kifedha ya Kampuni ya Kenya Reinsurance Corporation Limited iliyoko kwenye kurasa 52 hadi 132 ambayo inajumuisha taarifa ya kifedha ya jumla ya kampuni hii kufikia Desemba 31, 2016, pamoja na taarifa ya kampuni hii kuhusu faida au hasara pamoja na mapato mengine, taarifa za shirika hili kuhusiana na mabadiliko ya hisa zisizo na riba ya kudumu na taarifa za shirika hili kuhusiana na mapato ya fedha za mwaka uliokamilika, na muhtasari wa sera muhimu za uhasibu na taarifa nyingine zenye maelezo ambayo yamekaguliwa kwa niaba ya kampuni ya ukaguzi wa kifedha ya Ernst and Young LLP kuambatana na Sehemu 23 ya Sheria ya Ukaguzi wa mahesabu ya Umma, 2015 na kumabatana na Ibara 229 ya Katiba ya Kenya. Wakaguzi wa mahesabu wamewasilisha matokeo ya ukaguzi wao na kuambatana na taarifa yao, nimeridhika na habari pamoja na maelezo yote niliyopata ambayo kuambatana na ufahamu na imani yangu yalihitajika kwa minajili ya ukaguzi uliofanywa.

Kulingana na maoni yangu, taarifa hii ya kifedha inawakilisha hali ya kifedha ya Kampuni ya Kenya Reinsurance Corporation Limited kufikia Desemba 31, 2016, pamoja na matokeo ya kifedha ya kampuni hii pamoja na upatikanaji wa mapato ya kampuni hii katika mwaka uliokamilika, kuambatana na Sheria ya Viwango vya Ubora vya Taarifa ya Kifedha vya Kimataifa ya 2015.

Msingi wa Maoni haya

Ukaguzi huu wa mahesabu ulifanywa kuambatana na Taasisi Kuu za Ukaguzi wa Mahesabu za Kimataifa (ISSAIs). Majukumu yangu kuambatana na viwango hivyo yamefafanuliwa katika sehemu ya mkaguzi wa mahesabu aliye na jukumu la taarifa za kifedha.

Kutokana na kanuni za kampuni hii pamoja na kuambatana na kanuni za maadili za ISSAI 30, mimi niko huru. Nimeyatimiza majukumu mengine ya kimaadili kuambatana na ISSAI na vile vile kuambatana na mahitaji mengine ya kimaadili yanayohusiana na ukaguzi wa mahesabu ya kifedha nchini Kenya. Naamini kuwa ushahidi wa ukaguzi nilionao unatosha na unafaa kutoa msingi wa maoni yangu.

Kutilia Mkazo Suala hili

Naangazia Maelezo Nambari 44 ya taarifa za kifedha yanayofafanua dhima zisizotarajiwa kuambatana na ukaguzi wa ushuru uliofanywa na Halmashauri ya Kitaifa ya Ukusanyaji Ushuru (KRA). Kwa sasa, kampuni hii iko katika mzozo wa kiushuru na KRA unaotokana na shirika la KRA kudai ushuru uliozuiwa kufikia Kshs 1,272, 488, 000 kuhusiana na gharama za kutwaa umiliki wa shirika la Cedant, vile vile ada za ushuru wa dalali. Matokeo ya madai ya ushuru sio hakika. Hata hivyo, kampuni hii imeendelea kufanya majadiliano na KRA katika harakati za kutatua suala hilo kwa usaidizi wa washauri. Maoni yangu hayajabadilishwa kuambatana na suala hili.

Masuala Muhimu ya Ukaguzi

Masuala muhimu ya ukaguzi ni yale masuala kuambatana na uelewa wangu wa kitaalamu yalikuwa muhimu katika ukaguzi wa taarifa za kifedha za mwaka huu zilizounganishwa na kutengwa. Masuala haya yaliangaziwa katika muktadha wa ukaguzi wa mahesabu, ukaguzi wa taarifa za kifedha za mwaka huu zilizounganishwa na kutengwa kwa jumla na katika kuunda maoni yangu na hivyo sihitaji kutoa maoni tofauti kando na haya katika masuala haya. Katika kila suala hapa chini, ufafanuzi kuhusu jinsi ukaguzi huu uliangazia suala hili umetolewa katika muktadha huo.

Nimetimiza majukumu yaliyoelezwa katika sehemu ya majukumu ya mkaguzi wa mahesabu iliyoko katika sehemu ya taarifa za kifedha zilizounganishwa kwenye ripoti hii kuambatana na masuala haya. Kadhalika ukaguzi huo wa mahesabu ulijumuisha matokeo ya taratibu zilizosanifiwa kutoa majibu kwa ukaguzi wa hatari za taarifa za kupotosha kuhusiana na taarifa hikzo za kifedha. Matokeo ya taratibu za ukaguzi wa mahesabu ikiwa ni pamoja na taratibu zilizofanywa kuangazia masuala yaliyo hapa chini na kutoa msingi wa maoni yangu kuhusiana na taarifa za kifedha.

Namba	Suala Kuu la Ukaguzi	Jinsi ukaguzi ulivyoshughulikia suala kuu la ukaguzi
1.	Mkopo wa thamani ya bima na uharibifu wa masalio ya mapato ya bima	
	Suala la kuvurugika kwa mapato linaathiriwa na dhana ya usimamizi. Makadirio ya uharibifu wa fedha ziizopokelewa yalifanywa kuambatana na ukaguzi wa fedha zilizosalia mwisho wa mwaka. Hasara kutokana na uharibifu huu inatambuliwa katika taarifa ya	• Utaratibu wa ukaguzi ikiwa ni pamoja na majaribio na utathmini wa vidhibiti katika utaratibu wa kuchukua bima, kuandikisha pamoja na madeni ya kale ya mapato ya bima, na kukagua mapato hayo na idara ya kudhibiti mikopo.

	faida na hasara huku madeni yakiondolewa baada ya njia zote za kuzifuatilia zimetumika. Kama ilivyofichuliwa katika maelezo ya ufahamu wa nambari 24 katika taarifa hizi za kifedha, uamuzi unatekelezwa ili kutambua vigezo na dhana zilizotumika kuhesabu uharibifu wa fedha zilizopokelewa. Kwa mfano, dhana kuwa wateja hawatalipa madeni kwa muda unaofaa, pesa zinazotarajiwa kupokelewa kutoka kwa wateja na muda wa pesa hizo kupokelewa. Kutokana na kiwango kikubwa cha masalio ya malipo ya bima ya kufikia Kshs. 3,582,067,000 na uamuzi mkuu uliohusika katika kuhesabu uharibifu huo hasa kuhusiana na makadirio ya pesa zinazotarajiwa kukusanywa katika siku zijazo, hali hii ndiyo iliyonekana kuwa suala muhimu la ukaguzi.	• Utoshelevu wa ruzuku ya akaunti zisizoaminika ikiwa ni pamoja na ufaafu wa mbinu iliyotumika na dhana iliyokisiwa katika kuhesabu ruzuku hiyo, ilitathminiwa. • Majaribio yalifanywa kama msingi wa kupata sampuli za kubaini dhana ya shirika hili kuhusiana na pesa zinazotarajiwa kupokelewa katika siku zijazo na muda wa pesa hizo kupokelewa ulithibitiwa. • Kadhalika ukaguzi huo ulikadiria iwapo ufichuzi wa taarifa za kifedha ziliakisi vyema thamani ya bima ya shirika hili na kiwan ya uharibifu wa fedha zilizopokelewa.
2.	Dhima ya Mkataba wa Bima	
	Chini ya IFRS 4, usimamizi unahitajika kukadiria kiwango cha dhima ya mikataba ya bima na baada ya kipindi fulani kukadiria utoshelevu wa dhima hii. Ukadiriaji wa mikataba ya bima za kampuni hii unategemea na dhana kadha kuhusu matukio ya siku zijazo kama ilivyofichuliwa katika kumbukumbu 35 na 36 ya taarifa ya kifedha. Baadhi ya dhana za kiuchumi na zisizo za kiuchumi zilizotumika kukadiria kandarasi za bima zinatoa uamuzi katika msimamo fulani (kuhifadhi sera kwa muda fulani), kudumu (matarajio ya kipindi ambacho mmiliki wa sera ya bima ya malipo mwaka atachokaa na jinsi ambavyo hali hiyo itakavyobadilika), gharama (gharama za siku zijazo zilizotumika kwa lengo la kuhifadhi sera zilizopo hadi ukomavu wake).	• Mbinu kuu za kudhibiti taratibu za kudadisi dhana za kiuchumi na zile zisizo za kiuchumi zinazotumika katika makadirio ya dhima za mikataba ya bima zilifanyiwa majaribio. • Kwa kutumia wataalamu waliopo, ufaafu wa majaribio ya utoshelezi wa dhima ya usimamizi yalikadiriwa. Hili ni jaribio muhimu linalohakikisha kuwa dhima inatosha ikilinganishwa na majukumu ya kimikataba ya siku zijazo. Kazi kuhusu majaribio ya utoshelezi wa dhima ilijumuisha kukagua dhana zilizotumika katika muktadha wa Shirika hili na matukio katika sekta hii pamoja na sifa mahususi za bidhaa hii.
Namba	**Suala Kuu la Ukaguzi**	**Jinsi ukaguzi ulivyoshughulikia suala kuu la ukaguzi**
	Shirika hili hutumia wataalamu wa bima wa nje ili kutathmini dhima ya maisha na isiyo ya maisha. Suala hili lilionekana kuwa muhimu kwa ukaguzi wa mahesabu kwa sababu ya wepesi wa shughuli ya ukadiriaji thamani ya dhima ya	

	bima katika mabadiliko kwenye dhana mushimu. Kadhalika, nilionelea kuwepo kwa hatari kuwa ufichuzi wa kumbukumbu namba 34 na 35 za taarifa za kifedha ambazo zina umuhimu kwenye ufahamu wa mikataba ya dhima ya bima ya kampuni hii hazijakamilika.	
3.	Utambuzi wa Mapato – Mapato kutokana na malipo ya bima na hifadhi za malipo ya bima ambayo hayajapokelewa	
	Biashara ya shirika hili inahusisha sera za muda zisizoambatana na muda wa kutoa taarifa. Shirika hili limekadiria hifadhi ya malipo ya bima ambayo haijatolewa kufikia 4,513, 703,000 (Angalia kumbukumbu ya 39 katika taarifa za kifedha) zilizopo katika 40% ya malipo ya bima yaliyoandikwa kuwa tofauti na malipo ya bima yaliyoandikwa lakini hayajatolewa katika kipindi cha kutoa taarifa hii. Nilionelea hili kuwa suala muhimu la ukaguzi kwani taarifa za kifedha za shirika hili ni nyepesi sana kwa mabadiliko katika uamuzi huu wa wakurugenzi. Pia nilizingatia uwepo wa hatari ya ripoti ya mapato kuangaziwa kimakosa kwa lengo la kufikia matokeo ya kifedha yanayoridhisha. Nilitathmini kuwa nafasi ya upotoshaji wa mapato husababisha hatari kubwa ambapo bima hurekodiwa katika kipindi kisichostahili kwa kukosa kuzingatia kanuni zinazofaa.	Mtazamo wa ukaguzi ulihusisha udhibiti wa majaribio na taratibu halisi zikiwa ni pamoja na: • Kufanyia ukaguzi majaribio kuhusiana na utaratibu uliopo. • Kufanya uchanganuzi wa mapato ya malipo ya bima na malipo ya bima yaliyolipiwa na yale ambayo hayajalipiwa kuambatana na ufahamu wetu wa sekta hii na kuunda matarajio ya mapato kuambatana na viashirio vya matokeo kwa kuzingatia mabadiliko ya kibiashara ya shirika hili. • Kukagua stakabadhi himili za mapato ya malipo ya bima kwa msingi wa majaribio. • Kuhakikisha kwamba marekebisho kwenye mapato, hadi kukamilika kwa mwaka, yana stakabadhi za ithibati, pamoja na kutayarishwa katika muda unaofaa.
Namba	**Suala Kuu la Ukaguzi**	**Jinsi ukaguzi ulivyoshughulikia suala kuu la ukaguzi**
		• Kujumuisha wataalamu wa ndani (katika shirika) wa bima kwa madhumuni ya kuangalia iwapo dhana zilizotumika kubaini iwapo hifadhi ya pato la bima ambalo halijapatikana, ilikuwa na ithibati.
4.	Makadirio ya thamani ya mali zilizowekezwa	
	Kufikia tarehe 31 Desemba 2016, na jinsi ilivyobainishwa katika Kifungu cha 18 kwenye ripoti ya kifedha, kima cha fedha za mali za kuwekeza za shirika kilikuwa Ksh.8,903,000,000 ambacho kinajumuisha ongezeko la kadri la thamani la Ksh813, 513,000.	Harakati za ukaguzi zifuatazo zilitekelezwa kuambatana na suala lifuatalo: • Zilitathmini uwazi na uhuru wa mkadiriaji thamani wa nje. • Zilichunguza iwapo mbinu na dhana za ukadiriaji wa

	Mali ya kuwekeza inanakiliwa vitabuni kwa kutumia mfumo wa ukadiriaji thamani kulingana na Kiwango cha Kimataifa cha Uhasibu (IAS), 40 Investment Property. Sera ya Shirika ni kukadiria mali za kuwekeza kila mwaka kwa kutumia mkadiriaji wa thamani wa nje. Msingi unaotumika katika ukadiriaji wa thamani ya mali ya kuwekeza ni thamani ya soko wazi iliyotathminiwa kwa kutumia mbinu ya uchanganuzi linganuzi wa uwekezaji, gharama na soko. Ikizingatiwa kwamba kiasi kizuri cha thamani ya mali ya kuwekeza kinajumuisha makadirio kiasi na dhana (kama vile viwango vya baadae vya kodi, gharama ya marekebisho), na umuhimu wa ubainishaji unaohusiana na dhana hizo zilizotumiwa katika ukadiriaji. (Kifungu cha 3 (ii) Nilizingatia hili kama suala muhimu la ukaguzi wa kifedha.	thamani zilizotumiwa katika ubainishaji wa iwapo thamani zifaazo za mali zilizowekezwa zililingana na kanuni za IFRS. • Zilitathmini iwapo thamani zililingana na ile thamani ya soko ya mali sawa na hiyo katika eneo sawa na eneo husika. • Nilichunguza iwapo kiwango cha maelezo ya Shirika kuhusiana na dhana zilizotumiwa katika ukadiriaji wa thamani kama ilivyoelezwa katika Kifungu cha 3(ii) kwenye ripoti ya kifedha, kinatosha.
5.	Uwajibikiaji wa Viwango vya Ushuru	
	Viwango vya ushuru vilikuwa muhimu kwa ukaguzi kwani harakati ya tathmini hujumuisha uchunguzi wa fasiri na utimizaji wa sheria za ushuru na katika kutathmini pia huwa pana gharama za ushuru na gharama nyingine zinazoweza kutokana na ukaguzi wa ushuru. Kadhalika, shirika hili linahudumu katika mataifa mbalimbali, ambayo yote kila moja lina mfumo wake mahususi wa ushuru na hivyo kuwa wazi kwa tathmini za ushuru kutoka kwa mamlaka tofauti tofauti za ushuru. Ubainishaji wa gharama za kufidia na za matukio yasiyotarajiwa pamoja na ada za ushuru zisizokuwa za moja kwa moja huhitaji wakurugenzi wakuu kufanya maamuzi na makadirio kulingana na upigaji mahesabu ya ushuru wa mapato na mambo ibuka yanayotokana na tathmini ya wazi ya ushuru. Kama ilivyobainika katika kifungu 44 kwenye ripoti ya mapato, Shirika hili lina mfumo wazi wa kutathmini ushuru na ubainishaji	• Harakati ya ukaguzi ilijumuisha uelewa wa harakati ya kurekodi na kutathmini upya ufidiaji wa ushuru na gharama zisizotazamiwa, katika Shirika. • Kikosi cha ukaguzi kilijumuisha wataalamu wa ushuru waliochanganua viwango vya ushuru na kutathmini dhana zilizotumika ili kubaini viwango vya ushuru. • Harakati za ukaguzi zilitekelezwa kuambatana na ukamilifu pamoja na usahihi wa kiasi cha fedha kilichotambuliwa

	wa fidia za gharama na za matukio ya dharura zinazotokana na tathmini ya wazi ya ushuru na hufanya hatua hii kuwa muhimu katika ufanyaji maamuzi. Pia nilizingatia uwepo wa hatari kwamba ubainishaji wa ushuru wa mapato katika vifungu 11 na 37 ambavyo ni muhimu kwa kuelewa msimamo wa shirika kuhusu ushuru, haukukamilika.	•

Jukumu la Wakurugenzi Wakuu katika Ripoti ya Kifedha

Wakurugenzi wakuu wana jukumu la kutayarisha na kuwasilisha kwa njia kubalifu ripoti za kifedha kulingana na Viwango vya Kimataifa vya Ripoti za Kifedha na mahitaji ya Sheria ya Kampuni ya mwaka 2015, na kulingana na kanuni za ndani jinsi wakurugenzi wakuu watakavyoona inastahili ili kuwezesha matayarisho ya ripoti za kifedha zisizokuwa na makosa ya kirasilmali, iwe ni kutokana na ulaghai au dosari tu.

Katika kutayarisha ripoti ya kifedha, wakurugenzi wakuu wana wajibu wa kutathmini uwezo wa Shirika na Kampuni kuendelea kama suala muhimu endelevu, kubainisha, kama inavyostahili, mambo yanayohusu kuendelea huko na kutumia kanuni ya kigezo cha kuendelea kiuhasibu, isipokuwa tu iwapo wakurugenzi wakuu ima wanakusudia kuuza rasilmali za Shirika au Kampuni au kurahisisha utendakazi, ama iwapo hawana njia m'badala ila kufanya hivyo.

Wenye majukumu ya usimamizi wana wajibu wa kusimamia harakati ya kuripoti hali ya kifedha ya Shirika na Kampuni.

Wakurugenzi pia wana jukumu la kuwasilisha ripoti za kifedha kwa Mkaguzi Mkuu kulingana na Sheria ya Ukaguzi wa Fedha za Umma Sehemu ya 47, ya mwaka 2015.

Majukumu ya Mkaguzi Mkuu katika Ukaguzi wa Ripoti za Kifedha

- Malengo ya ukaguzi ni kupata hakikisho la kuridhisha kuhusu iwapo ripoti za kifedha kwa jumla hazina makosa ya kirasilmali, iwe ni kutokana na ulaghai au dosari, na kisha kutoa ripoti ya mkaguzi inayojumuisha maoni yangu kulingana na Sheria ya Ukaguzi wa Fedha za Umma, Sehemu ya 48 ya mwaka 2015 na kisha kuiwasilisha ripoti hiyo ya ukaguzi kama njia ya kutii Kifungu cha 229(7) cha Katiba ya Kenya. Hakikisho la kuridhisha ni hakikisho la kiwango cha juu, japo si hakikisho kuwa ukaguzi uliofanywa kulingana na ISSAI utagundua makosa ya kirasilmali yaliyomo. Makosa yanaweza kutokana na ulaghai au dosari na huchukuliwa kuwa ya kirasilmali iwapo, katika hali ya kibinafsi au kwa jumla, wanatarajiwa kushawishi maamuzi ya kiuchumi ya watumizi kwa msingi wa ripoti hizi za kifedha.
- Kama sehemu ya ukaguzi kulingana na ISSAI, ninatekeleza uchanganuzi wa kitaalamu na kudumisha mchaklato wa kitaalamu kwenye ukaguzi wote. Pia:
- Ninatambua na kutathmini hatari ya kufanya makosa ya kirasilmali ya ripoti za pamoja na zilizotengnishwa za kifedha, iwe ni kutokana na ulaghai au dosari tu, kutayarisha na kutekeleza harakati za ukaguzi zinazozingatia hatari hizo, na kupata ithibati ya kutosha na inayostahili kama njia ya kupata msingi wa maoni yetu. Hatari ya kutotambua makosa ya kirasilmali yanayotokana na ulaghai iko juu kuliko yanayotokana na dosari, kwani ulaghai unaweza kujumuisha njama, mbinu ghushi, uepukaji wa kimakusudi, upotoshi, au kukiuka kanuni za ndani.
- Kupata uelewa wa kanuni za ndani zinazohusiana na ukaguzi kwa madhumuni ya kutayarisha harakati za ukaguzi zinazoambatana na hali kimuktadha, lakini si kwa lengo la kueleza maoni kuhusu ufaafu wa kanuni za ndani za Shirika na Kampuni.
- Kutathmini ufaafu wa sera za kiuhasibu zilizotumika na mantiki ya makadirio ya kiuhasibu na upambanuzi mwingine unaohusiana nao uliofanywa na Wakurugenzi Wakuu.
- Kufanya hitimisho kuhusu ufaafu wa matumizi ya mfumo wa kiuhasibu miongoni mwa wakurugenzi wakuu, na kuhusu suala la maendelezo na kutokana na ithibati za ukaguzi zilizopatikana, iwe pana hali ya kutobashirika kirasilmali kwa tukio hilo au hali zinazoweza kuzua hofu kuhusu uwezo wa kuendeleza Shirika au Kampuni kama suala la maendelezo. Iwapo nitapendekeza kuwa hofu ya kirasilmali ipo, ninahitajika kuelekeza hali ya ripoti ya mkaguzi kwa ugunduzi unaohusiana nayo kwenye ripoti ya pamoja ya kifedha au, iwapo ugunduzi kama huo hautoshi, ninarekebisha maoni yangu. Mapendekezo yangu yanaegemea ithibati ya ukaguzi iliyopatikana hadi kufikia tarehe ya kutolewa kwa ripoti yangu ya ukaguzi. Hata hivyo, matukio au hali za siku za baadae yanaweza kusababisha Shirika na/ au Kampuni kukosa kuendelea kama suala la maendelezo.
- Kutathmini uwasilishaji wa jumla, utaratibu na yaliyomo kwenye ripoti ya kifedha ya pamoja na zilizotenganishwa, ikiwemo maelezo, na kubaini iwapo ripoti ya pamoja na iliyotenganishwa inawakilisha matumizi ya fedha na matukio yanayoshughulikiwa kwa njia ambayo inaafiki uwasilishaji unaoridhisha.

- Kupata ithibati inayofaa na inayotosha ya ukaguzi kuhusiana na habari za kifedha za shughuli za shirika au biashara katika Shirika ili kutoa maoni kuhusu ripoti za kifedha.
- Kwa kawaida, huwasiliana na wakurugenzi wakuu kuhusu, miongoni mwa mambo mengine, upeo na kipindi cha ukaguzi kilicholengwa na matokeo kiasi ya ukaguzi, ikiwemo mapungufu kiasi katika kanuni za ndani yaliyogunduliwa wakati wa ukaguzi.
- Kadhalika, huwa ninawawasilishia wakurugenzi wakuu ripoti kuwa nimezingatia mahitaji ya kimaadili yanayofaa kuhusu uhuru, licha ya kuwasiliana nao kuhusu mahusiano na yote yanayodhaniwa yanaweza kuathiri uhuru wangu, na panapostahili, kinga zinazohusiana na shughuli nzima.
- Kutokana na mambo niliyowapasha wakurugenzi wakuu, ninaainisha mambo yaliyo na umuhimu mkuu katika ukaguzi wa ripoti za pamoja katika kipindi cha sasa na ambayo ni muhimu kwa masuala ya ukaguzi. Masuala haya yanafafanuliwa katika ripoti yangu ya ukaguzi isipokuwa pale ambapo sheria au sharti fulani linakataza kuyaweka wazi kwa umma au pale ambapo katika hali nadra sana, ninatambua kuwa suala fulani halifai kutajwa katika ripoti yangu iwapo matokeo yake mabaya yanashinda manufaa ya umma ya mawasilisho ya suala hilo.

RIPOTI KUHUSU MAHITAJI YA KISHERIA NA KIUSIMAMIZI

Kama inavyohitajika katika Sheria ya Kampuni ya mwaka 2015 ninaripoti kuambatana na ukaguzi kuwa:

(i) **Nimepata habari zote na maelezo ambayo, kwa uelewa na imani yangu, yalistahili katika ukaguzi;**

(ii) **Kwa maoni yangu, rekodi halisi za kiuhasibu zimehifadhiwa na Shirika na Kampuni, kama ilivyo baada ya kukagua vitabu hivyo; na**

(iii) **Ripoti za Kifedha za Shirika na Kampuni zinaoana na rekodi za kiuhasibu.**

FCPA Edward R. O. Ouko, CBS
MKAGUZI MKUU
Machi 30, 2017

Niko Fiti – Ability Beyond Disability CSR Program

Over the last four years, the Niko Fiti CSR flagship programme of Kenya Reinsurance Corporation has touched and transformed the lives of over 3000 persons living with physical disability through the provision of assistive and mobility devices in Kenya. Having earmarked disability as a national priority with low intervention structures, Kenya Re initiated the Niko Fiti CSR program to spearhead this cause.

According to the 2007 Kenya National Survey for Persons with Disabilities (KNSPWDs), regionally, the highest disability rates were recorded in Nyanza (6.8%) followed by Coast (5.2%) and Central (5.2%) provinces. The lowest disability rates were found in North Eastern Province (2.6%) followed by Rift Valley (3.2%). The highest disability rated areas have been covered by most interventions however the low rated areas are due to high level of stigma and cultural – socio challenges among communities and therefore requires attention for provision of mobility and assistive devices.

Since 2011, the campaign focused on providing clinical assessment, orthopaedic mobility and assistive devices and providing public education on disability through public awareness and sensitization campaigns. In 2016, the campaign extended to include persons with visual & hearing (sensory) disabilities and physiological/mental disabilities and aimed to ultimately grow awareness around disabilities while championing PWDs inclusion and participation in national building activities.

The CSR campaign is now recognized nationally for the promotion of mobility and accessibility of PWDs faced by mobility impairments through provision of assistive devices. By so doing, the beneficiaries can now engage in daily community, social and nation building activities. The campaign also aimed at destigmatizing disability in the Kenyan society. Over the last four years the campaign, through a series of caravans, traversed through the Nairobi County (Eastern Nairobi, Ngong road, Thika road), Coast Region (Voi, Mombasa, Kwale, Kilifi, Lamu & Tana River), Upper Eastern (Meru & Isiolo), Rift Valley (Nakuru & Eldoret), Nyanza (Kisumu, Vihiga, Bondo, Siaya & Kisii) as well as the Western region donating various assistive devices and educating the public on the importance of accepting persons living with disabilities.

We attribute the success of the Niko Fiti CSR campaign over the years through the Corporation's partnership with the Association for the Physically Disabled of Kenya (APDK) to aid in identification, assessment of persons living with disability through their nationwide distribution network and fabrication of the devices in their workshops in major towns in Kenya.

The Corporation through the APDK also equipped the mobile vending unit beneficiaries with knowledge on leadership and Governance training, existing policies on disabilities as well as group dynamics and importance of persons with disabilities initiating disabled persons organizations for advocacy support. In addition, they were given insights on financial management, basic record keeping and entrepreneurship skills. Budget planning and monitoring progress for business growth was also an area captured during the training. Beneficiaries who received these mobile vending units were entitled to startup stock of goods worth Kshs. 4000 to assist them start a business or boost their business. As a result, the skills acquired enabled their businesses to grow hence support their families and contribute to the socio-economic growth of the country.

Since its inception, over 3000 PWD's have benefited from the distribution of walking frames, crutches both elbow and axillary crutches, prosthetic limbs, wheelchairs, special seats, mobile vending units, white canes, stylus, and diapers for cerebral palsy children.

Kenya Reinsurance Corporation Limited, Corporate Affairs Manager, Gladys Some – Mwangi (Left) buying a stock item from a mobile vending unit beneficiary (Center) during the Niko Fiti CSR Eldoret distribution. Looking on is this year's Niko Fiti brand ambassador, Phelix Odiwuor a.k.a Jalang'o (right).

National Treasury CS Mr. Henry Rotich hands over braille equipment to a beneficiary during the 2016 Niko Fiti Campaign flag off on 18th August 2016 at the APDK Grounds on Waiyaki Way.

Tree planting at Kibiko Secondary School

Kenya Reinsurance Corporation Ltd, General Manager, Property & Administration, Mr. Michael Mbeshi, (Centre) planting a tree seedling with Form 4 students from Kibiko Secondary School during the second edition of the tree planting exercise at Kibiko Secondary school.

Kenya Reinsurance Corporation Management and staff pose for a photo with Kibiko Secondary School Principal and students during the second edition of the tree planting exercise at Kibiko Secondary school.

Over the last three years, Kenya Reinsurance Corporation has taken up a Corporate Social Responsibility initiative (CSR) at Kibiku Secondary School in Ngong, Kajiado County. The Corporation has engaged the school in tree planting exercises bi-annually in the interest of safeguarding afforestation and bringing the school community together. Kenya Re staff led by the Managing Director Mr. Jadiah Mwarania together with teachers and students of Kibiku Secondary have planted over 3000 tree seedlings in the school.

The seedlings are irrigated using the water piping system that has also been sponsored by the Corporation to ensure the sustainability of the trees. Kenya Re Managing Director Mr. Jadiah Mwarania encouraged the students to continue with this initiative once they leave Kibiku Secondary school as trees are instrumental in our lives and beneficial to the environment.

The Corporation has been planting trees at this particular school as a way of reaching out to the young generation to educate them on importance of preserving the environment. Over the years the weather has changed due to global warming and this has brought a lot of changes in the weather patterns. This activity is aimed at informing the students and the Kibiku community at large on the importance of environmental conversation.

Speaking during the tree planting exercise, Kenya Re's Managing Director, Mr. Jadiah Mwarania encouraged the students to nurture the tree seedlings and remember that their lives are equally like trees. He also urged the students to carry the flag of responsibility, be role models, and pioneers in environmental conservation as well as build a healthy green nation for our future generation.

KENYA REINSURANCE CORPORATION LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Long term business 2016 KShs '000	Short term Business 2016 KShs '000	Total 2016 KShs '000	Total 2015 KShs '000
INCOME					
Gross premiums written		1,481,941	11,762,650	13,244,591	13,060,341
Less: change in unearned premiums	39	-	46,891	46,891	(549,717)
Less: retrocession premiums		(126,330)	(478,392)	(604,722)	(494,546)
NET EARNED PREMIUMS	6	**1,355,611**	**11,331,149**	**12,686,760**	**12,016,078**
Investment income	7	518,327	2,560,971	3,079,298	3,041,138
Acquisition cost recoveries		36,136	51	36,187	40,490
Fair value gains on revaluation of investment properties	18	160,496	653,017	813,513	729,599
Other income	8	-	54,321	54,321	248,094
Share of associates profits	19	-	361,159	361,159	335,727
TOTAL INCOME		**2,070,570**	**14,960,668**	**17,031,238**	**16,411,126**
OUTGO					
Gross claims incurred and policy holder benefits	9	(663,086)	(6,350,648)	(7,013,734)	(7,391,724)
Less : Re-insurers share of claims and policy holder benefits	9	30,200	303,016	333,216	330,114
NET CLAIMS INCURRED		**(632,886)**	**(6,047,632)**	**(6,680,518)**	**(7,061,610)**
Cedant acquisition costs	10(a)	(457,175)	(3,178,081)	(3,635,256)	(3,402,811)
Operating and other expenses	10(b)	(210,065)	(1,622,295)	(1,832,360)	(1,318,950)
Provision for doubtful debts	25	-	(665,018)	(665,018)	(113,619)
TOTAL OUTGO		**(1,300,126)**	**(11,513,026)**	**(12,813,152)**	**(11,896,990)**
PROFIT BEFORE TAX		**770,444**	**3,447,642**	**4,218,086**	**4,514,136**
INCOME TAX EXPENSE	11(a)	(263,485)	(667,317)	(930,802)	(959,886)
PROFIT FOR THE YEAR		**506,959**	**2,780,325**	**3,287,284**	**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	-	2,431	2,431	344
Remeasurement gains/(losses) on defined benefit plans, net of tax	21	-	112,470	112,470	(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	-	(209,228)	(209,228)	(202,319)
Net losses on revaluation of available-for-sale quoted equity instruments	27	(33,549)	(501,889)	(535,438)	(613,315)
Net losses on revaluation of available-for-sale government securities	28	-	(6,952)	(6,952)	-
Exchange differences on retranslation of foreign operations		-	(780)	(780)	-
Share of movement in associate reserves:					
– currency translation	19	-	102,440	102,440	(35,896)
– fair value reserve	19	-	(26,833)	(26,833)	(60,980)
TOTAL OTHER COMPREHENSIVE INCOME		**(33,549)**	**(528,341)**	**(561,890)**	**(1,122,825)**
TOTAL COMPREHENSIVE INCOME		**473,410**	**2,251,984**	**2,725,394**	**2,431,425**
EARNINGS PER SHARE - basic and diluted	12			**4.70**	**5.10**

KENYA REINSURANCE CORPORATION LIMITED

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Long term business 2016	Short term Business 2016	Total 2016	Total 2015
INCOME		**KShs '000**	**KShs '000**	**KShs '000**	**KShs '000**
Gross premiums written		1,476,800	11,223,537	12,700,337	12,676,629
Less: change in unearned premiums	39	-	109,334	109,334	(501,421)
Less: retrocession premiums		(126,329)	(478,392)	(604,721)	(494,546)
NET EARNED PREMIUMS	6	**1,350,471**	**10,854,479**	**12,204,950**	**11,680,662**
Investment income	7	518,327	2,558,082	3,076,409	3,038,128
Acquisition cost recoveries		36,136	51	36,187	40,490
Fair value gains on revaluation of investment properties	18	160,496	653,017	813,513	729,599
Other income	8	-	54,299	54,299	211,120
Share of profits associates		-	361,159	361,159	335,727
TOTAL INCOME		**2,065,430**	**14,481,087**	**16,546,517**	**16,035,726**
OUTGO					
Gross claims incurred and policy holder benefits	9	(663,085)	(6,224,617)	(6,887,702)	(7,304,525)
Less : Re-insurers share of claims and policy holder benefits	9	30,200	303,016	333,216	330,114
NET CLAIMS INCURRED		**(632,885)**	**(5,921,601)**	**(6,554,486)**	**(6,974,411)**
Cedant acquisition costs	10(a)	(456,647)	(3,044,526)	(3,501,173)	(3,314,693)
Operating and other expenses	10(b)	(210,065)	(1,464,012)	(1,674,077)	(1,242,298)
Provision for doubtful debts	25	-	(507,377)	(507,377)	(113,619)
TOTAL OUTGO		**(1,299,597)**	**(10,937,516)**	**(12,237,113)**	**(11,645,021)**
PROFIT BEFORE TAX		**765,833**	**3,543,571**	**4,309,404**	**4,390,705**
Income tax expense	11(a)	(263,485)	(667,317)	(930,802)	(957,086)
PROFIT FOR THE YEAR		**502,348**	**2,876,254**	**3,378,602**	**3,433,619**
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss:					
Share of gain on property revaluation of associate	19	-	2,431	2,431	344
Remeasurement gain/(losses) on defined benefit plans	21	-	112,470	112,470	(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	-	(209,228)	(209,228)	(202,319)
Net losses on revaluation of available-for-sale quoted equity instruments	27	(33,549)	(501,889)	(535,438)	(613,315)
Net losses on revaluation of available-for-sale government securities	28	-	(6,952)	(6,952)	-
Share of movement in associate reserves:					
– currency translation	19	-	102,440	102,440	(35,896)
– fair value reserve	19	**-**	**(26,833)**	**(26,833)**	**(60,980)**
TOTAL OTHER COMPREHENSIVE INCOME		**(33,549)**	**(527,561)**	**(561,110)**	**(1,122,825)**
TOTAL COMPREHENSIVE INCOME		**468,799**	**2,348,693**	**2,817,492**	**2,310,794**
EARNINGS PER SHARE - basic and diluted	12			4.82	4.90

KENYA REINSURANCE CORPORATION LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Long term business 2016 KShs '000	Short term Business 2016 KShs '000	Total 2016 KShs '000	Total 2015 KShs '000
EQUITY					
Share capital	13	-	1,749,873	1,749,873	1,749,873
Revaluation reserve	14	-	3,795	3,795	4,049
Fair value reserve	14	(33,549)	289,386	255,837	1,034,288
Translation reserve	14	-	370,767	370,767	269,107
Statutory reserve	14	3,502,132	-	3,502,132	2,995,173
Retained earnings	14	-	18,250,893	18,250,893	15,880,375
TOTAL EQUITY		**3,468,583**	**20,664,714**	**24,133,297**	**21,932,865**
ASSETS					
Property and equipment	15	-	86,673	86,673	68,688
Intangible assets	16	-	328,858	328,858	123,419
Mortgage loans	17	-	707,417	707,417	648,104
Investment properties	18	1,465,000	7,438,000	8,903,000	8,025,000
Investment in associate	19	-	3,907,825	3,907,825	3,436,180
Employee defined benefit asset	21	-	14,334	14,334	-
Unquoted equity instruments	22	-	202,231	202,231	202,231
Corporate bonds	23	-	487,923	487,923	494,146
Receivables arising out of reinsurance and retrocession arrangements	24	230,922	3,351,145	3,582,067	3,199,969
Premium and loss reserves	25	-	379,597	379,597	298,977
Other receivables	26	-	186,056	186,056	112,786
Income tax recoverable	11(c)	-	-	-	44,435
Quoted equity instruments	27	235,685	1,830,567	2,066,252	2,553,572
Government securities	28	2,258,399	9,462,877	11,721,276	9,186,523
Inventory	29	-	43,968	43,968	32,846
Deferred acquisition costs	30	-	1,303,254	1,303,254	1,223,150
Non-current assets held for sale	31	-	28,098	28,098	28,098
Deposits with financial institutions	32	2,887,294	1,309,641	4,196,935	5,957,281
Cash and bank balances	33	77	348,469	348,546	318,729
TOTAL ASSETS		**7,077,377**	**31,416,933**	**38,494,310**	**35,954,134**
LIABILITIES					
Long term reinsurance contract liabilities	34	2,177,401	-	2,177,401	2,179,836
Short term reinsurance contracts liabilities	35	-	5,530,550	5,530,550	5,166,290
Payables arising out of reinsurance arrangements	36	40,256	520,301	560,557	512,496
Employee defined benefit liability	21	-	-	-	81,105
Deferred tax liability	37	1,498,938	(596,180)	902,758	904,118
Income tax payable	11(c)	(107,801)	290,145	182,344	-
Other payables	38	-	493,700	493,700	616,830
Unearned premiums	39	-	4,513,703	4,513,703	4,560,594
TOTAL LIABILITIES		**3,608,794**	**10,752,219**	**14,361,013**	**14,021,269**
NET ASSETS		**3,468,583**	**20,664,714**	**24,133,297**	**21,932,865**

The financial statements were approved by the board of directors on 30th March 2017 and were signed on its behalf by:

Principal Officer　　　　Director　　　　Director

KENYA REINSURANCE CORPORATION LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	Long term Business 2016	Short term business 2016	Total 2016	Total 2015
EQUITY		**KShs '000**	**KShs '000**	**KShs '000**	**KShs '000**
Share capital	13	-	1,749,873	1,749,873	1,749,873
Revaluation reserve	14	-	3,795	3,795	4,049
Fair value reserve	14	(33,549)	289,386	255,837	1,034,288
Translation reserve	14	-	371,547	371,547	269,107
Statutory reserve	14	3,496,869	-	3,496,869	2,994,521
Retained earnings	14	-	18,226,843	18,226,843	15,760,396
TOTAL EQUITY		**3,463,320**	**20,641,444**	**24,104,764**	**21,812,234**
ASSETS					
Property and equipment	15	-	79,866	79,866	66,445
Intangible assets	16	-	328,858	328,858	123,419
Mortgage loans	17	-	707,417	707,417	643,290
Investment properties	18	1,465,000	7,438,000	8,903,000	8,025,000
Investment in associate	19	-	3,907,825	3,907,825	3,436,180
Investment in subsidiary companies	20	-	187,782	187,782	4,186
Employee defined benefit asset	21	-	14,334	14,334	-
Unquoted equity instruments	22	-	202,231	202,231	202,231
Corporate bonds	23	-	487,923	487,923	494,146
Receivables arising out of reinsurance and retrocession arrangements	24	230,922	3,120,695	3,351,617	2,858,326
Premium and loss reserves	25	-	276,883	276,883	233,541
Due from related party	42	-	42,624	42,624	196,805
Other receivables	26	-	184,733	184,733	93,878
Income tax recoverable	11(c)	-	-	-	47,235
Quoted equity instruments	27	235,685	1,830,567	2,066,252	2,553,572
Government securities	28	2,257,539	9,463,737	11,721,276	9,186,523
Inventory	29	-	42,908	42,908	32,017
Deferred acquisition costs	30	-	1,240,471	1,240,471	1,183,769
Non-current assets held for sale	31	-	28,098	28,098	28,098
Deposits with financial institutions	32	2,884,410	1,067,006	3,951,416	5,881,609
Cash and bank balances	33	78	305,855	305,933	281,925
TOTAL ASSETS		**7,073,634**	**30,957,813**	**38,031,447**	**35,572,195**
LIABILITIES					
Long term reinsurance contract liabilities	34	2,177,401	-	2,177,401	2,179,836
Short term reinsurance contracts liabilities	35	-	5,441,537	5,441,537	5,077,277
Payables arising out of reinsurance arrangements	36	41,776	372,331	414,107	376,698
Employee defined benefit liability	21	-	-	-	81,105
Deferred tax liability	37	1,498,938	(596,180)	902,758	904,118
Other payables	38	-	479,460	479,460	733,535
Income tax payable	11(c)	(107,801)	321,163	213,362	-
Unearned premiums	39	-	4,298,058	4,298,058	4,407,392
TOTAL LIABILITIES		**3,610,314**	**10,316,369**	**13,926,683**	**13,759,961**
NET ASSETS		**3,463,320**	**20,641,444**	**24,104,764**	**21,812,234**

The financial statements were approved by the board of directors on 30th March 2017 and were signed on its behalf by:

Principal Officer

Director

Director

KENYA REINSURANCE CORPORATION LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Share capital KShs '000	Revaluation reserve KShs '000	Fair value reserve KShs '000	Translation reserve KShs '000	Statutory reserve KShs '000	Retained earnings KShs '000	Total KShs '000
At 1 January 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	40	-	-	-	-	-	(489,964)	(489,964)
Transfer of excess depreciation		-	(4,657)	-	-	-	4,657	-
Deferred tax 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**
At 1 January 2016		1,749,873	4,049	1,034,288	269,107	2,995,173	15,880,375	21,932,865
Profit for the year		-	-	-	-	506,959	2,780,325	3,287,284
Other comprehensive income		-	2,431	(778,451)	101,660	-	112,470	(561,890)
Total comprehensive income		**-**	**2,431**	**(778,451)**	**101,660**	**506,959**	**2,892,795**	**2,725,394**
Dividends declared – 2015	40	-	-	-	-	-	(524,962)	(524,962)
Transfer of excess depreciation		-	(3,836)	-	-	-	3,836	-
Deferred tax thereon		-	1,151	-	-	-	(1,151)	-
At 31 December 2016		**1,749,873**	**3,795**	**255,837**	**370,767**	**3,502,132**	**18,250,893**	**24,133,297**

KENYA REINSURANCE CORPORATION LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Share capital KShs '000	Revaluation reserve KShs '000	Fair value reserve KShs '000	Translation reserve KShs '000	Statutory reserve KShs '000	Retained earnings KShs '000	Total KShs '000
At 1 January 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	40	-	-	-	-	-	(489,964)	(489,964)
Transfer of excess depreciation		-	(4,657)	-	-	-	4,657	-
Deferred tax 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**
At 1 January 2016		1,749,873	4,049	1,034,288	269,107	2,994,521	15,760,396	21,812,234
Profit for the year		-	-	-	-	502,348	2,876,254	3,378,602
Other comprehensive income		-	2,431	(778,451)	102,440	-	112,470	(561,110)
Total comprehensive income		**-**	**2,431**	**(778,451)**	**102,440**	**502,348**	**2,988,724**	**2,817,492**
Dividends declared – 2015	40	-	-	-	-	-	(524,962)	(524,962)
Transfer of excess depreciation		-	(3,836)	-	-	-	3,836	-
Deferred tax thereon		-	1,151	-	-	-	(1,151)	-
At 31 December 2016		**1,749,873**	**3,795**	**255,837**	**371,547**	**3,496,869**	**18,226,843**	**24,104,764**

KENYA REINSURANCE CORPORATION LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 KShs '000	2015 KShs '000
Net cash generated from operations	41	378,513	1,548,924
Interest received on corporate bonds		59,489	55,709
Interest received on government securities		1,202,931	991,842
Interest received on staff mortgages and loans		14,356	11,694
Interest received on deposits with financial institutions		541,893	647,915
Interest received on commercial mortgages		62,325	77,329
Tax paid in the year	11(c)	(705,383)	(798,762)
Net cash generated from operating activities		**1,554,124**	**2,534,651**
Cash flows used in investing activities			
Purchase of investment property	18	(64,487)	(100,401)
Purchase of property and equipment	15	(49,864)	(3,655)
Proceeds on sale of property and equipment		-	1,116
Proceeds on disposal of inventory property	43	47,461	130,000
Purchase of intangible assets	16	(245,379)	(56,383)
Purchase of unquoted equity instruments	22	-	(35,118)
Purchase of government securities	28	(2,898,870)	(1,796,642)
Proceeds on maturity of government securities	28	396,337	416,500
Purchase of quoted equity instruments	27	(355,602)	(160,293)
Proceeds on sale of quoted equity instruments	27	307,484	250,381
Proceeds on redemption of corporate bonds	23	5,925	5,925
Purchase of corporate bonds	23	-	(80,512)
Dividends received on quoted equity instruments		129,752	117,308
Dividend received from associate company	19	-	68,485
Purchase of shares in associate company	19	(32,448)	(1,257,408)
Net cash used in investing activities		**(2,759,691)**	**(2,500,697)**
Cash flows used in financing activities			
Dividends paid	40	**(524,962)**	**(489,964)**
Net decrease in cash and cash equivalents		(1,730,529)	(456,010)
Cash and cash equivalents at 1 January		6,276,010	6,732,020
Cash and cash equivalent at 31 December	33	**4,545,481**	**6,276,010**

KENYA REINSURANCE CORPORATION LIMITED
COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 KShs '000	2015 KShs '000
Net cash generated from operations	41	350,159	1,441,005
Interest received on corporate bonds		59,489	55,709
Interest received on government securities		1,202,931	991,842
Interest received on staff mortgages and loans		14,224	11,556
Interest received on deposits with financial institutions		539,099	645,043
Interest received on commercial mortgages		62,325	77,329
Tax paid in the year	11(c)	(671,565)	(798,762)
Net cash generated from operating activities		**1,556,662**	**2,423,722**
Cash flows used in investing activities			
Purchase of investment property	18	(64,487)	(100,401)
Purchase of property and equipment	15	(44,462)	(3,096)
Proceeds on sale of property and equipment		-	3,196
Proceeds on disposal of inventory property	43	47,461	130,000
Purchase of intangible assets	16	(245,379)	(56,383)
Purchase of unquoted equity instruments	22	-	(35,118)
Purchase of government securities	28	(2,898,870)	(1,796,642)
Proceeds on maturity of government securities	28	396,337	416,500
Purchase of quoted equity instruments	27	(355,602)	(160,293)
Proceeds on sale of quoted equity instruments	27	307,484	250,381
Proceeds on redemption of corporate bonds	23	5,925	5,925
Purchase of corporate bonds	23	-	(80,512)
Investment in Subsidiary		(183,596)	(4,186)
Dividends received on quoted equity instruments		129,752	117,308
Dividend received from associate company	19	-	68,485
Purchase of shares in associate company	19	(32,448)	(1,257,408)
Net cash used in investing activities		**(2,937,885)**	**(2,502,244)**
Cash flows used in financing activities			
Dividends paid	40	**(524,962)**	**(489,964)**
Net decrease in cash and cash equivalents		(1,906,185)	(568,486)
Cash and cash equivalents at 1 January		6,163,534	6,732,020
Cash and cash equivalent at 31 December	33	**4,257,349**	**6,163,534**

NOTES TO THE FINANCIAL STATEMENTS

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance with International Financial Reporting Standards (IFRS)

The consolidated 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, 2015, 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 consolidated 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, 2015. The consolidated 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 consolidated financial statements are presented in Kenya Shillings (KShs), rounded to the nearest thousand, which is also the functional currency.

The consolidated financial statements comprise the Group's and Company's 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 notes.

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 subsidiaries as at 31 December 2016. Control is achieved when the Group 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.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

(i) Subsidiary (continued)

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:

- 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 subsidiaries, Kenya Reinsurance Corporation Limited Côte d`Ivoire and Kenya Reinsurance Corporation Zambia Limited. The investments into the subsidiaries did not meet the definition of a business combination.

(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.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Business combinations and goodwill

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.

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.

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.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) New and amended standards and interpretations

The following new amendments to the existing standards issued by the International Accounting Standards Board are effective for current financial period:

IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016).

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. Since the Group is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016).

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, with early adoption permitted. The amendments do not have any impact on Group's financial statements.

Amendments to IFRS 11 "Joint Arrangements" - Accounting for Acquisitions of Interests (effective for annual periods beginning on or after 1 January 2016).

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 Business Combinations principles for business combination 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 if joint control is retained. In addition, a 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 applied prospectively. These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the year.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Amendments to IAS 1 "Presentation of Financial Statements" - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016).

The amendments to IAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. These amendments did not have significant impact on the Group.

Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016).

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a 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 applied prospectively and do not have any impact on the Group, given that it has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 27 "Separate Financial Statements" - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016).

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively. The group early adopted these amendments and accounts for investment in associate using the equity method in both separate and consolidated financial statements.

Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)"- issued by IASB on 25 September 2014. Amendments to various standards and interpretations resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording. The revisions clarify the required accounting recognition in cases where free interpretation used to be permitted. Changes include new or revised requirements regarding: (i) changes in methods of disposal; (ii) servicing contracts; (iii) applicability of the offsetting disclosures to condensed interim financial statements; (iv) discount rate: regional market issue; (v) disclosure of information 'elsewhere in the interim financial report'. The amendments are to be applied for annual reporting periods beginning on or after 1 January 2016. The adoption of these amendments to the existing standards has not led to any material changes in the Group's financial statements

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Standards issued but not yet effective

At the date of authorisation of these financial statements the following new standards and amendments to existing standards were in issue, but not yet effective:

IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019).

Issued by IASB on 13 January 2016, 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 are to 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. Early application is permitted, but not before an entity applies IFRS 15.

IFRS 15 "Revenue from Contracts with Customers" and further amendments (effective for annual periods beginning on or after 1 January 2018).

IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. The core principle of the new Standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new Standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date was deferred indefinitely until the research project on the equity method has been concluded).

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is 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.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Standards issued but not yet effective (continued)

IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018).

In July 2014, the IASB issued the final version of IFRS 9 "Financial Instruments" which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

Classification and Measurement - IFRS 9 introduces new approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements under IAS 39. The new model also results in a single impairment model being applied to all financial instruments.

Impairment - IFRS 9 has introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a timelier basis.

Hedge accounting - IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities.

Own credit - IFRS 9 removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.

Amendments to IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard (IFRS 17). The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from IFRS 9 if: (i) it has not previously applied any version of IFRS 9 before and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016. The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets. An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies IFRS 9 for the first time.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Standards issued but not yet effective (continued)

Amendments to IFRS 2 “Share-based Payment” - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018).

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met.

Amendments to IAS 7 “Statement of Cash Flows” - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017).

The amendments to IAS 7 Statement of Cash Flows are part of the IASB’s Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods.

Amendments to IAS 40 “Investment Property” - Transfers of Investment Property (effective for annual periods beginning on or after1 January 2018).

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management’s intentions for the use of a property does not provide evidence of a change in use.

Amendments to IAS 12 “Income Taxes” - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).

The IASB issued the amendments to IAS 12 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

IFRIC Interpretation 22 “Foreign Currency” - Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2018).

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Standards issued but not yet effective (continued)

Amendments to various standards "Improvements to IFRSs (cycle 2014-2016)" issued in December 2016. They include:

- IFRS 12 "Disclosure of Interests in Other Entities" - Clarification of the scope of the disclosure requirements in IFRS 12 (effective from 1 January 2017).

  The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

- IAS 28 "Investments in Associates and Joint Ventures" - Clarification that measuring investees at fair value through profit or loss is an investment-by investment choice (effective from 1 January 2018).

  The amendments clarifies that:

  - An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
  - If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The Group has elected not to adopt these new standards and amendments to existing standards in advance of their effective dates. The Group anticipates that the adoption of these standards and amendments to existing standards will have no material impact on the financial statements of the Group in the period of initial application.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(a) **Short-term reinsurance business**

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

Classes of short term reinsurance include aviation, engineering, fire (domestic risks, industrial and commercial risks), 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 Group'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.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Reinsurance contracts (continued)

(b) Long-term reassurance business

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

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

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

(ii) Recognition and measurement

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

(a) Premium income

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

(b) Claims incurred

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

(c) 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.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Reinsurance contracts (continued)

(ii) Recognition and measurement (continued)

(d) Liability adequacy test

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

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

(e) Retrocession contracts held

Contracts entered into by the Group with retrocessionnaires under which the Group is compensated for losses on one or more contracts issued by the Group 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 Group 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 Group assesses its retrocession assets for impairment on a quarterly basis. If there is objective evidence that the retrocession asset is impaired, the Group reduces the carrying amount of the retrocession asset to its recoverable amount and recognises that impairment loss. The Group 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 Group reduces the carrying amount of the reinsurance receivable accordingly and recognises the impairment loss in profit or loss. The Group 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.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

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 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 Group 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) Tax

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 Group'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.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Tax (continued)

(ii) Deferred tax (continued)

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(iii) Current and deferred tax for the year

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

(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.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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%

(j) Intangible assets – computer software and licenses

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

Impairment

At each reporting date, the 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. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 Group exercises significant influence but which it does not control. Significant influence is the power to participate in financial and operating policy decisions of the investment but it is not control or joint control over those policies.

Under the equity method, the investment in associate is carried in the statement of financial position at cost as adjusted for post-acquisition changes in the 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 Group becomes party to the contractual provisions of the instrument.

Financial assets

The Group 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 Group 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.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Financial instruments (continued)

Classification (continued)

Loans and receivables

The Group assesses its loans and receivables for impairment on a quarterly basis. If there is objective evidence that they are impaired, the Group 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 Group's management has the positive intention and ability to hold to maturity. Were the group 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.

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. The Group has also designated some government securities into this category.

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.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Financial instruments (continued)

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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(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 Group 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.

Statutory defined contributions scheme

The Group 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.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

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

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.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

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 an 18.97% (2015: 19.88%) interest of the equity interest. The remaining 81.03% (2015: 80.22%) 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 2016). 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 34 and 35.

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.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

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

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.

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.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

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

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 of property and equipment being recognised in the other comprehensive income and changes in fair value of investment properties being recognised in the statement of profit or loss. Investment properties were last revalued as at 31 December 2016 on the basis of open market value by independent valuer, Caroline N. Nyororo - P/No. 0002566 of Ebony Estates Limited. The Group's property and equipment was last revalued as at 31 March 2011 by independent valuers, Gimco Limited. As at 31 December 2016, the carrying value of computers, furniture and equipment did not differ significantly from its fair value. Further details are disclosed in notes 15 and 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 43.

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. 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 .

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group'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 Group'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 Group manages key risks:

Reinsurance risk

The Group 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 Group 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 Group 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 Group also manages these risks through its underwriting strategy and adequate retrocession arrangements and proactive claims handling.

Underwriting limits are in place to enforce appropriate risk selection criteria. The Group 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

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (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 Group 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 Group 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 Group'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 Group'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.

Sensitivity to insurance risk

The actuarial methods used are not very sensitive to changes in the key assumptions used in determining the actuarial liabilities. The key actuarial assumptions will need to change very significantly for the actuarial liabilities to change by a relatively small percentage. The methods used and significant assumptions made did not change from the previous period.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

	GROUP		COMPANY	
	2016	2015	2016	2015
	KShs '000	KShs '000	KShs '000	KShs '000
Financial assets				
Held to maturity:				
- Government securities	11,721,276	9,186,523	11,721,276	9,186,523
- Corporate bonds	487,923	494,146	487,923	494,146
Available for sale				
- Quoted equities	2,066,252	2,553,572	2,066,252	2,553,572
- Unquoted equities	202,231	202,231	202,231	202,231
Loans and receivables				
Receivables arising out of reinsurance arrangements	3,582,067	3,199,969	3,351,617	2,858,326
Cash and bank balances	348,546	318,729	305,933	281,925
Due from related parties	-	-	42,624	196,805
Deposits with financial institutions	4,196,935	5,957,281	3,951,416	5,881,609
Premium and loss reserves	379,597	298,977	276,883	233,541
Mortgage loans	707,417	648,104	707,417	643,290
Other receivables	179,697	101,325	178,653	83,278
Total financial assets	**23,887,534**	**22,960,857**	**23,292,225**	**22,615,246**
Financial liabilities at amortised cost				
Payables arising out of reinsurance arrangements	560,557	512,496	414,107	376,698
Other payables	476,333	603,697	466,828	719,701
Total financial liabilities	**1,036,890**	**1,116,193**	**880,935**	**1,096,399**
Insurance contract liabilities				
Long term liabilities	2,177,401	2,179,836	2,177,401	2,179,836
Short term liabilities	5,530,550	5,166,290	5,441,537	5,077,277
Total insurance contract liabilities	**7,707,951**	**7,346,126**	**7,618,938**	**7,257,113**

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

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

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

31 December 2016	Carrying amount	No stated maturity	Contractual cash flows (undiscounted) 0-1 years	1-5 years	>5 years
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Financial assets					
Held to maturity:					
- Government securities	11,227,931	-	2,560,016	5,544,117	14,428,341
- Corporate bonds	487,923	-	64,832	519,955	113,250
Available for sale					
-Quoted equities	2,066,252	2,066,252	-	-	-
-Government securities	493,345	-	64,371	257,485	617,178
- Unquoted equities	202,231	202,231	-	-	-
Loans and receivables					
Receivables arising out of reinsurance arrangements	3,582,067	3,582,067	-	-	-
Other receivables	179,697	179,697	-	-	-
Premium loss reserves	379,597	379,597	-	-	-
Mortgage loans	707,417	-	136,164	461,565	196,174
Cash and cash equivalents	4,545,481	-	4,545,481	-	-
Total	**23,871,941**	**6,409,844**	**7,370,864**	**6,783,122**	**15,354,943**
Financial liabilities at amortised cost					
Payables arising out of reinsurance arrangements	560,557	560,557	-	-	-
Other payables	476,333	476,333	-	-	-
Total financial liabilities	1,036,890	1,036,890	-	-	-
Reinsurance liabilities					
Long term liabilities	2,177,401	2,177,401	-	-	-
Short term liabilities	5,530,550	5,530,550	-	-	-
Total	**7,707,951**	**7,707,951**	**-**	**-**	**-**
Net gap	**15,127,100**	**(2,334,997)**	**7,370,864**	**6,783,122**	**15,354,943**

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

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 (continued)

COMPANY	Carrying	No stated	Contractual cash flows (undiscounted)		
31-December 2016	amount	maturity	0-1 years	1-5 years	>5 years
Held to maturity:					
- Government securities	11,227,931	-	2,560,016	5,544,117	14,428,341
- Corporate bonds	487,923	-	64,832	519,955	113,250
Available for sale					
-Quoted equities	2,066,252	2,066,252	-	-	-
-Government securities	493,345	-	64,371	257,485	617,178
-Unquoted equities	202,231	202,231	-	-	-
Loans and receivables					
Receivables arising out of reinsurance arrangements	3,351,617	3,351,617	-	-	-
Due from related parties	42,624	42,624	-	-	-
Other receivables	178,653	178,653	-	-	-
Premium loss reserves	276,883	276,883	-	-	-
Mortgage loans	707,417	-	136,164	461,565	196,174
Cash and cash equivalents	4,257,349	-	4,257,349	-	-
Total	**23,292,225**	**6,118,260**	**7,082,732**	**6,783,122**	**15,354,943**
Financial liabilities at amortised cost					
Payables arising out of reinsurance arrangements	414,107	414,107	-	-	-
Other payables	466,828	466,828	-	-	-
Total financial liabilities	880,935	880,935	-	-	-
Reinsurance liabilities					
Long term liabilities	2,177,401	2,177,401	-	-	-
Short term liabilities	5,441,437	5,441,437	-	-	-
Total	**7,618,838**	**7,618,838**	**-**	**-**	**-**
Net gap	**14,792,452**	**(2,381,513)**	**7,082,732**	**6,783,122**	**15,354,943**

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

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 (continued)

GROUP	Carrying	No stated	Contractual cash flows (undiscounted)		
31 December 2015	amount	maturity	0-1 years	1-5 years	>5 years
Financial assets	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Held to maturity:					
- Government bonds	9,186,523	-	1,423,146	4,715,230	14,342,905
- Corporate bonds	494,146	-	60,897	562,435	126,500
Available for sale					
- Quoted equities	2,553,572	2,553,572	-	-	-
- Unquoted equities	202,231	202,231	-	-	-
Loans and receivables					
Receivables arising out of reinsurance arrangements	3,199,969	3,199,969	-	-	-
Premium loss reserves	298,977	298,977	-	-	-
Mortgage loans	648,104	-	154,140	411,928	156,566
Other receivables	101,325	101,325	-	-	-
Cash and cash equivalents	6,276,010	-	6,276,010	-	-
Total	**22,960,857**	**6,356,074**	**7,914,193**	**5,689,593**	**14,625,971**
Financial liabilities at amortised cost					
Payables arising out of reinsurance arrangements	512,496	512,496	-	-	-
Other payables	603,697	603,697	-	-	-
Total financial liabilities	**1,116,193**	**1,116,193**	**-**	**-**	**-**
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	**14,498,538**	**(2,106,245)**	**7,914,193**	**5,689,593**	**14,625,971**

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

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 (continued)

COMPANY	Carrying	No stated	Contractual cash flows (undiscounted)		
31-December 2015	amount	maturity	0-1 years	1-5 years	>5 years
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Held to maturity:					
- Government bonds	9,186,523	-	1,423,146	4,715,230	14,342,905
- Corporate bonds	494,146	-	60,897	562,435	126,500
Available for sale					
-Quoted equities	2,553,572	2,553,572	-	-	-
-Unquoted equities	202,231	202,231	-	-	-
Loans and receivables					
Receivables arising out of reinsurance arrangements	2,858,326	2,858,326	-	-	-
Premium loss reserves	233,541	233,541	-	-	-
Mortgage loans	643,290	-	154,140	411,928	156,566
Due from related parties	196,805	196,805	-	-	-
Other receivables	83,278	83,278	-	-	-
Cash and cash equivalents	6,163,534	-	6,163,534	-	-
Total	22,615,246	6,127,753	7,801,717	5,689,593	14,625,971
Financial liabilities at amortised cost					
Payables arising out of reinsurance arrangements	376,698	376,698	-	-	-
Other payables	719,701	719,701	-	-	-
Total financial liabilities	1,096,399	1,096,399	-	-	-
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	14,261,734	(2,225,759)	7,801,717	5,689,593	14,625,971

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

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

Financial risk

The Group 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 Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The risk management policies established identify and analyse the risks faced by the Group, 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 Group, 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 Group's failure to meet its maturing obligations when they fall due without incurring unacceptable losses. The Group'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 Group'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 Group continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Group strategy.

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

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

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

(a) Liquidity risk (continued)

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

	Due on demand	Due after 1 year	Total
GROUP	KShs '000	KShs '000	KShs '000
31 December 2016			
Long term reinsurance contract liabilities	2,177,401	-	2,177,401
Short term insurance contract liabilities	5,530,550	-	5,530,550
Other payables	476,333		476,333
Payables arising out of reinsurance arrangements	560,557	-	560,557
Total financial liabilities	**8,744,841**	**-**	**8,744,841**
31 December 2015			
Long term reinsurance contract liabilities	2,179,836	-	2,179,836
Short term insurance contract liabilities	5,166,290	-	5,166,290
Other payables	603,697		603,697
Payables arising out of reinsurance arrangements	512,496	-	512,496
Total financial liabilities	**8,462,319**	**-**	**8,462,319**
COMPANY			
31 December 2016			
Long term reinsurance contract liabilities	2,177,401	-	2,177,401
Short term insurance contract liabilities	5,441,537	-	5,441,537
Other payables	466,828	-	466,828
Payables arising out of reinsurance arrangements	414,107	-	414,107
Total financial liabilities	**8,499,873**	**-**	**8,499,873**
31 December 2015			
Long term reinsurance contract liabilities	2,179,836	-	2,179,836
Short term insurance contract liabilities	5,077,277	-	5,077,277
Other payables	719,701		719,701
Payables arising out of reinsurance arrangements	376,698	-	376,698
Total financial liabilities	**8,353,512**	**-**	**8,353,512**

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

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	
	2016	2015	2016	2015
	KShs'000	KShs'000	KShs'000	KShs'000
Assets in foreign currencies				
Trade and other receivables	3,907,863	3,126,126	3,541,473	2,784,483
Premiums and loss reserves	935,948	767,996	811,533	702,560
Deposits with financial institutions	947,087	696,219	701,569	620,548
Cash and bank	51,806	163,505	9,424	137,904
Foreign currency assets	5,842,704	4,753,846	5,063,999	4,245,495
Liabilities in foreign currencies				
Payables	(431,577)	(467,011)	(285,127)	(331,213)
Net foreign currency (liability)/ asset position	**5,411,127**	**4,286,835**	**4,778,872**	**3,914,282**

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

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

(b) Market risk (continued)

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	
USD		Effect on profit before tax KShs'000	Effect on equity KShs'000	Effect on profit before tax KShs'000	Effect on equity KShs'000
2016	Increase in US$ by 10%	541,113	378,779	477,887	334,521
	Decrease in US$ by 10%	(541,113)	(378,779)	(477,887)	(334,521)
2015	Increase in US$ by 10%	428,684	300,078	391,428	274,000
	Decrease in US$ by 10%	(428,684)	(300,078)	(391,428)	(274,000)

Price risk

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

The Group's unlisted equities are also subject to price risk however, the Group 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 million. An increase/decrease of 15 % in the value of the listed equity would result in a decrease /increase in profits of KShs 383 million (2015: KShs 489 million).

(c) Credit risk

The Group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Group 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 Group is exposed to credit risk are:

- amounts due from reinsurers in respect of claims already paid;
- amounts due from cedants;
- amounts due from re-insurance intermediaries;
- mortgage advances to its customers and staff;
- government and corporate bonds;
- deposits with financial institutions;
- cash and bank balances.

The Group structures the levels of credit risk it accepts by placing credit 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 Group maintain records of the payment history for significant contract holders with whom they conduct regular business.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

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

(c) Credit risk (continued)

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 Group. 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	
	2016	2015	2016	2015
	KShs '000	KShs '000	KShs '000	KShs '000
Held to maturity instruments				
Government securities	11,721,276	9,186,523	11,721,276	9,186,523
Corporate bonds	487,923	494,146	487,923	494,146
Loans and receivables at amortized cost:				
Deposits with financial institutions	4,196,935	5,957,281	3,951,416	5,881,609
Mortgage loans	707,417	648,104	707,417	643,290
Receivables arising out of reinsurance arrangements	3,582,067	3,199,969	3,351,617	2,858,326
Premium and loss reserves (note 25)	379,597	298,977	276,883	233,541
Bank balances	348,376	318,559	305,782	281,814
Other receivables	179,697	101,325	178,653	83,278
Total assets bearing credit risk	**21,603,288**	**20,204,884**	**20,980,967**	**19,662,527**
Receivables arising out of reinsurance arrangements are summarized as follows:				
Neither past due nor impaired	673,311	506,233	581,363	340,427
Past due but not impaired:				
-up to 91 to 365 days	2,181,133	2,094,108	2,106,027	2,007,366
-up to 1 to 2 years	727,623	599,628	664,227	510,533
-Impaired	1,210,885	640,846	1,074,945	640,846
	4,792,952	3,840,815	4,426,562	3,499,172
Less: provision for impairment (note 24)	(1,210,885)	(640,846)	(1,074,945)	(640,846)
Total	**3,582,067**	**3,199,969**	**3,351,617**	**2,858,326**

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

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

(c) Credit risk (continued)

Mortgage loans are summarized as follows:

	GROUP		COMPANY	
	2016	2015	2016	2015
	KShs '000	KShs '000	KShs '000	KShs '000
Neither past due nor impaired	648,139	596,294	648,139	591,480
Past due but not impaired	59,278	51,810	58,278	51,810
Impaired	**130,780**	**120,021**	**130,780**	**120,021**
	838,197	768,125	838,197	763,311
Less: provision for impairment (note 17)	(130,780)	(120,021)	(130,780)	(120,021)
Total	707,417	648,104	707,417	643,290

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.

Fair value of financial assets and liabilities

(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	Level 2	Level 3	Total
GROUP	KShs '000	KShs '000	KShs '000	KShs '000
At 31 December 2016:				
Government securities	11,042,836	-	-	11,042,836
Corporate bonds	473,632	-	-	473,632
At 31 December 2015:				
Government securities	8,161,130	-	-	8,161,130
Corporate bonds	467,099	-	-	467,099
COMPANY				
At 31 December 2016:				
Government securities	11,042,836	-	-	11,042,836
Corporate bonds	473,632	-	-	473,632
At 31 December 2015:				
Government securities	8,161,130	-	-	8,161,130
Corporate bonds	467,099	-	-	467,099

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

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

(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 Group'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 Group considers relevant and observable market prices in its valuations where possible.

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

	Level 1	Level 2	Level 3	Total
GROUP	KShs '000	KShs '000	KShs '000	KShs '000
At 31 December 2016				
Quoted equity instruments	2,066,252	-	-	2,066,252
Property and equipment			86,673	86,673
Investment properties	-	-	8,903,000	8,903,000
At 31 December 2015				
Quoted equity instruments	2,553,572	-	-	2,553,572
Property and equipment			68,688	68,688
Investment properties	-	-	8,025,000	8,025,000
COMPANY				
At 31 December 2016				
Quoted equity instruments	2,066,252	-	-	2,066,252
Property and equipment	-	-	79,866	79,866
Investment properties	-	-	8,903,000	8,903,000
At 31 December 2015				
Quoted equity instruments	2,553,572	-	-	2,553,572
Property and equipment	-	-	66,445	66,445
Investment properties	-	-	8,025,000	8,025,000

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

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

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

(ii) Fair value hierarchy (continued)

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 2016 and 2015 are as shown below:

	Valuation Technique	Significant unobservable inputs	Range (weighted average)
Investment properties	Sales comparison approach	Price per acre in a 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	-

- The valuation of investment properties was carried out by Caroline N. Nyororo - P/No. 0002566 of Ebony Estates Limited, professional independent valuers as at 31 December 2016.
- The valuation of property and equipment was last carried out by Gimco Valuers Limited, professional independent valuers as at 31 December 2011. As at 31 December 2016, the carrying value of computers, furniture and equipment did not differ significantly from its fair value.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

4. CAPITAL MANAGEMENT

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

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 Group to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximise shareholders value.

Further, the Group 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 2016, the Group had complied with the externally imposed capital requirements.

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

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

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

5. SEGMENTAL REPORTING

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group 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 Group'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 group life. These segments are the basis on which the CODM allocates resources and assesses performance. Investment and cash management for the Group'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.

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

	GROUP		COMPANY	
	2016	2015	2016	2015
	KShs'000	KShs'000	KShs'000	KShs'000
Gross earned premiums				
General insurance business	11,762,650	11,779,216	11,223,537	11,396,212
Life business	1,481,941	1,281,125	1,476,800	1,280,417
	13,244,591	**13,060,341**	**12,700,337**	**12,676,629**
Investment income:				
General insurance business				
Rental income from investment properties	597,706	583,243	597,706	583,243
Interest on Government securities held to maturity	969,865	897,080	969,865	897,080
Gain on sale of available-for-sale quoted equity instruments	209,228	202,319	209,228	202,319
Dividends receivable on available for sale quoted equity instruments	107,002	112,350	107,002	112,350
Interest on commercial mortgages	68,550	77,329	68,550	77,329
Interest on deposits with financial institutions- held to maturity	493,531	492,929	490,738	490,057
Interest on corporate bonds- held to maturity	53,272	56,134	53,272	56,134
Profit on sale of non-current asset held for sale	47,461	101,206	47,497	101,206
Interest on staff mortgages and loans	14,356	11,694	14,224	11,556
	2,560,971	**2,534,284**	**2,558,082**	**2,531,274**
Life assurance business				
Rental income from investment properties	171,730	163,130	171,730	163,130
Interest on Government securities held to maturity	272,240	188,738	272,240	188,738
Dividends receivable on available-for-sale quoted equity instruments	20,077	-	20,077	-
Interest on deposits with financial institutions- held to maturity	48,361	154,986	48,361	154,986
Interest on corporate bonds- held to maturity	5,919	-	5,919	-
	518,327	506,854	518,327	506,854
Total investment income	**3,079,298**	**3,041,138**	**3,076,409**	**3,038,128**

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

5. SEGMENTAL REPORTING (continued)

Other disclosures:

GROUP	General Insurance business KShs'000	Life Assurance Business KShs'000	Total 2016 KShs'000	Total 2015 KShs'000
Reportable segment profits after tax	2,780,325	506,959	3,287,284	3,554,250
Reportable segment total assets	31,416,933	7,110,926	38,494,310	35,954,134
Less:				
: related party balances	-	-	-	-
Net	31,416,933	7,110,926	38,494,310	14,021,269
Reportable segment total liabilities	10,752,219	3,608,794	14,361,013	14,021,269
Less:				
: related party balances	-	-	-	-
Net	10,752,219	3,608,794	14,361,013	14,021,269
Fees and commission income	51	36,136	36,187	40,490
Depreciation of property and equipment	26,189	5,364	31,553	27,402
Amortisation of intangible assets	33,150	6,790	39,940	26,570
Property and equipment additions	49,864	-	49,864	3,655
Intangible assets additions	245,379	-	245,379	56,383

COMPANY	General Insurance business KShs'000	Life Assurance Business KShs'000	Total 2016 KShs'000	Total 2015 KShs'000
Reportable segment profits after tax	2,876,254	502,348	3,378,602	3,433,619
Reportable segment total assets	30,957,813	7,073,634	38,031,447	35,572,195
Less:				
: Related party balances	(42,624)	-	(42,624)	(196,805)
: Investment in subsidiaries	(187,782)	-	(187,782)	(4,186)
Reportable segment total assets-Net	30,727,407	7,073,634	37,801,041	35,371,204
Reportable segment total liabilities	10,316,369	3,610,314	13,926,683	13,885,607
Less: related party balances	-	-	-	(125,646)
Net	10,316,369	3,610,314	13,926,683	13,759,961
Fees and commission income	51	36,136	36,187	40,490
Depreciation of property and equipment	25,764	5,277	31,041	27,005
Amortisation of intangible assets	33,150	6,790	39,940	26,570
Property and equipment additions	44,462	-	44,462	3,096
Intangible assets additions	245,379	-	245,379	56,383

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

6. PREMIUMS INCOME

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

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

	GROUP		COMPANY	
	2016	2015	2016	2015
	KShs'000	KShs'000	KShs'000	KShs'000
Super annuation	1,250,162	1,090,851	1,245,021	1,090,148
Ordinary life	105,450	73,459	105,450	73,455
Motor	587,799	519,433	565,891	502,117
Fire	3.526,401	3,678,015	3,271,475	3,480,352
Theft	518,350	572,156	500,098	565,090
Personal accident	806,958	1,461,196	757,991	1,450,261
Engineering	737,703	705,301	683,260	669,260
Marine	612,610	638,171	561,432	595,964
Medical	3,339,849	2,219,663	3,339,849	2,219,663
Other	1,201,478	1,057,833	1,174,483	1,034,352
	12,686,760	12,016,078	12,204,950	11,680,662

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

7. INVESTMENT INCOME

	GROUP		COMPANY	
	2016	2015	2016	2015
	KShs'000	KShs'000	KShs'000	KShs'000
Rental income from investment properties	769,436	746,373	769,436	746,373
Interest on Government securities held to maturity	1,242,104	1,085,818	1,242,104	1,085,818
Gain on sale of available for sale quoted equity instruments	209,228	202,319	209,228	202,319
Dividends receivable on available-for-sale quoted equity instruments	127,079	112,350	127,079	112,350
Interest on commercial mortgages	68,550	77,329	68,550	77,329
Interest on deposits with financial institutions – held to maturity	541,893	647,915	539,136	645,043
Interest on corporate bonds – held to maturity	59,191	56,134	59,191	56,134
Profit on sale of inventory property	47,461	101,206	47,461	101,206
Interest on staff mortgages and loans	14,356	11,694	14,224	11,556
Total investment income	**3,079,298**	**3,041,138**	**3,076,409**	**3,038,128**

8. OTHER INCOME

COMESA Yellow Card income	41,679	32,520	41,679	32,521
Net foreign exchange gains	-	200,632	-	163,866
Gain on disposal of property and equipment	-	904	-	904
Miscellaneous income*	12,642	14,038	12,620	13,829
	54,321	**248,094**	**54,299**	**211,120**

* Miscellaneous income relates to income from hire of promotional space and mortgage commitment fees.

9. CLAIMS INCURRED

	GROUP		COMPANY	
	2016	2015	2016	2015
	KShs '000	KShs '000	KShs '000	KShs '000
Claims paid	6,651,908	6,661,418	6,525,877	6,574,219
Changes in the provision for outstanding claims	364,260	648,151	364,260	648,151
Increase in actuarial liability	(2,435)	82,155	(2,435)	82,155
Gross claims incurred	7,013,734	7,391,724	6,887,702	7,304,525
Less: Amounts recoverable from retrocessionaires	(333,216)	(330,114)	(333,216)	(330,114)
Net claims incurred	**6,680,518**	**7,061,610**	**6,554,487**	**6,974,411**

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

10. (a). CEDANT ACQUISITION COSTS

	GROUP		COMPANY	
	2016	2015	2016	2015
	KShs '000	KShs '000	KShs '000	KShs '000
Super annuation	312,000	40,623	311,470	40,566
Ordinary life	145,175	373,765	145,175	373,767
Motor	57,083	45,758	55,306	44,728
Fire	1,120,848	1,083,327	1,046,590	1,031,216
Theft	180,445	191,738	175,035	189,876
Personal accident	205,159	417,852	192,500	414,868
Engineering	236,527	233,715	219,579	222,305
Marine	180,039	194,156	165,299	182,188
Medical	829,165	488,606	829,165	488,606
Other	368,815	333,271	361,054	326,572
	3,635,256	3,402,811	3,501,173	3,314,693

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

10 (b).OPERATING AND OTHER EXPENSES

	GROUP		COMPANY	
	2016	2015	2016	2015
	KShs '000	KShs '000	KShs '000	KShs '000
Staff costs	641,842	555,823	598,646	528,199
Depreciation (note 15)	31,553	27,402	31,041	27,005
Amortisation (note 16)	39,940	26,570	39,940	26,570
Auditors' remuneration	11,184	7,085	11,184	7,085
Directors' – emoluments	15,967	12,218	15,967	12,218
Directors' – fees	5,443	6,000	5,443	6,000
Mortgages provisions	10,758	9,096	10,758	9,096
Rent provisions	5,674	-	5,674	-
Annual General Meeting expenses	14,728	21,371	14,728	21,371
Investment property direct operating expenses	200,197	178,635	200,197	178,636
Travel and accommodation	140,495	84,023	135,477	80,576
Advertisement	29,007	10,689	25,686	10,689
Professional and consultancy fees	67,197	99,135	65,875	99,029
Rent and rates	9,298	12,529	8,287	12,075
Hardware and software maintenance	28,784	52,453	28,770	52,367
Donations, sponsorship and CSR activities	32,780	10,730	32,780	10,730
Bank charges	14,975	19,229	14,495	18,555
Taxation expenses in subsidiaries	1,517	24,938	-	-
Provision for unreconciled differences	-	84,738	-	68,939
Forex losses	380,579	-	306,138	-
Other expenses	150,442	76,286	122,991	73,158
	1,832,360	**1,318,950**	**1,674,077**	**1,242,298**
Staff costs consist:				
Salaries and wages	370,159	328,824	342,363	312,936
Retirement benefit costs (note 21)	17,031	-	17,031	-
Medical expenses	30,130	22,773	28,077	23,210
Leave allowance	29,265	40,882	27,346	37,625
National social security benefit costs	526	1,137	293	265
Gratuity accrual	15,978	20,488	9,769	18,932
Bonus	88,423	69,153	88,105	68,919
Staff welfare expenses	19,429	18,882	16,288	17,215
Training and recruitment	44,329	17,695	43,886	17,091
Leave pay provision	(994)	8,430	(1,028)	8,772
Pension contributions to defined contribution scheme	27,566	27,559	26,515	23,234
	641,842	555,823	598,646	528,199
Other expenses consist:				
Motor vehicle running expenses	4,548	3,955	4,302	3,789
General office expenses	27,588	17,029	21,000	14,483
Marketing expenses	43,282	23,020	33,523	22,656
Corporate and other sundry expenses	75,024	32,282	64,166	32,230
	150,442	**76,286**	**122,991**	**73,158**

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

11. TAX

		GROUP		COMPANY	
		2016	2015	2016	2015
(a)	Tax charge	KShs '000	KShs '000	KShs '000	KShs '000
	Current tax on the taxable profit for the year	909,472	609,411	909,472	606,611
	Prior year under provision	22,690	(3,124)	22,690	(3,124)
		932,162	606,287	932,162	603,487
	Deferred tax charge (note 37)				
	- Current year	(1,360)	354,768	(1,360)	354,768
	- Prior year over provision	-	(1,169)	-	(1,169)
		930,802	959,886	930,802	957,086

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

		GROUP		COMPANY	
		2016	2015	2016	2015
		KShs '000	KShs '000	KShs '000	KShs '000
	Profit before tax	4,218,086	4,514,136	4,309,404	4,390,705
	Tax applicable	1,265,426	1,320,012	1,292,821	1,317,212
	Tax effects of non-taxable income	(463,441)	(431,142)	(463,441)	(431,142)
	Tax effect of non-deductible expenses	106,127	75,309	78,732	75,309
	Prior year under/(over) provision- current tax	22,690	(3,124)	22,690	(3,124)
	Prior year over provision- deferred tax	-	(1,169)	-	(1,169)
		930,802	959,886	930,802	957,086
	Attributable to:				
	Long term business	263,485	223,956	263,485	223,956
	Short term business	667,317	735,930	667,317	733,130
		930,802	959,886	930,802	957,086
(c)	Tax (recoverable) / payable				
	At 1 January	(44,435)	148,040	(47,235)	148,040
	Charge for the year	932,162	606,287	932,162	603,487
	Paid in the year	(705,383)	(798,762)	(671,565)	(798,762)
	At 31 December	182,344	(44,435)	213,362	(47,235)

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

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	
	2016	2015	2016	2015
	KShs '000	KShs '000	KShs '000	KShs '000
Profit attributable to shareholders	3,287,284	3,554,250	3,378,602	3,433,619
Weighted average number of ordinary shares in issue	699,949	699,949	699,949	699,949
Basic and diluted earnings per share	4.70	5.10	4.82	4.90

There were no potentially dilutive shares outstanding at 31 December 2016 and 2015. The diluted earnings per share is therefore the same as the basic earnings per share.

13. SHARE CAPITAL

		2016	2015
(i)	Authorized: share capital	KShs '000	KShs '000
	800,000,000 ordinary shares of KShs 2.50 each	2,000,000	2,000,000

		Number of shares	2016 KShs '000	2015 KShs '000
(ii)	Issued and fully paid			
	At 31 December	699,949,068	1,749,873	1,749,873

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 subsidiaries.

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 Group, except for cumulative fair value gains on the Group's investment properties amounting to KShs 6,014,828,000 (2015: KShs 5,201,315,000) whose distribution is subject to restrictions imposed by legislation.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

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
31 DECEMBER 2016					
COST / VALUATION					
At 1 January 2016	13,256	81,332	94,883	550	190,021
Additions	19,896	17,714	11,697	557	49,864
Transfers from W.I.P	-	540	10	(550)	-
Exchange difference adjustment	(80)	(37)	(79)	-	(196)
At 31 December 2016	**33,072**	**99,549**	**106,511**	**557**	**239,689**
DEPRECIATION					
At 1 January 2016	10,366	56,080	54,887	-	121,333
Charge for the year	4,351	15,605	11,597	-	31,553
Exchange difference adjustment	80	17	33	-	130
At 31 December 2016	**14,797**	**71,702**	**66,517**	**-**	**153,016**
NET CARRYING AMOUNT					
At 31 December 2016	**18,275**	**27,847**	**39,994**	**557**	**86,673**
31 DECEMBER 2015					
COST / VALUATION					
At 1 January 2015	15,005	79,175	94,219	-	188,399
Additions	-	2,345	760	550	3,655
Transfers	-	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**
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
Transfers	-	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**

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. The net carrying amount of the Group's property and equipment would have been KShs 84,725,000 (2015: KShs 64,031,000) if they had not been revalued. As at 31 December 2016, the carrying value of computer, furniture and equipment did not differ significantly from its fair value.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

15. PROPERTY AND EQUIPMENT (continued)

COMPANY	Motor Vehicles KShs'000	Computers KShs'000	Furniture and equipment KShs'000	Capital W.I.P KShs'000	Total KShs'000
31 DECEMBER 2016					
COST / VALUATION					
At 1 January 2016	10,988	80,871	92,670	53	184,582
Additions	19,580	16,867	7,967	48	44,462
Transfers*	-	53	-	(53)	-
At 31 December 2016	**30,568**	**97,791**	**100,637**	**964**	**229,044**
DEPRECIATION					
At 1 January 2016	8,098	55,842	54,197	-	118,137
Charge for the year	4,195	15,146	11,700	-	31,041
At 31 December 2016	**12,293**	**70,988**	**65,897**	**-**	**149,178**
NET CARRYING AMOUNT					
At 31 December 2016	**18,275**	**26,803**	**34,740**	**48**	**79,866**
31 DECEMBER 2015					
COST / VALUATION					
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**
DEPRECIATION					
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**

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. The net carrying amount of the Company's property and equipment would have been KShs 77,918,000 (2015: KShs 61,788,000) if they had not been revalued. Management believes that the carrying amounts of property and equipment approximate their fair values.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

16. INTANGIBLE ASSETS - GROUP and COMPANY

GROUP	Intangible assets KShs'000	Capital WIP KShs'000	Total KShs'000
31 DECEMBER 2016			
COST			
At 1 January 2016	187,412	-	187,412
Additions	-	245,379	245,379
Transfers	31,033	(31,033)	-
At 31 December 2016	**218,445**	**214,346**	**432,791**
AMORTISATION			
At 1 January 2016	63,993	-	63,993
Charge for the year	39,940	-	39,940
At 31 December 2016	**103,933**	**-**	**103,933**
NET CARRYING AMOUNT			
At 31 December 2016	**114,512**	**214,346**	**328,858**
31 DECEMBER 2015			
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**

Capital Work-In-Progress relate to costs incurred to-date towards acquisition of a new reinsurance system.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

17. MORTGAGE LOANS

	GROUP		COMPANY	
	2016	2015	2016	2015
	KShs '000	KShs '000	KShs '000	KShs '000
Staff mortgages	307,700	234,067	307,700	229,253
Commercial mortgages	530,497	534,058	530,497	534,058
	838,197	768,125	838,197	763,311
Less: impairment provision	(130,780)	(120,021)	(130,780)	(120,021)
	707,417	648,104	707,417	643,290
Maturity analysis				
Within 1 year	434	667	434	667
Within 1 to 5 years	4,153	122,131	4,153	122,131
Over 5 years	702,830	525,306	702,830	520,492
	707,417	648,104	707,417	643,290
Impairment provision analysis				
Balance brought forward	120,021	110,925	120,021	110,925
Additional provision	10,759	9,096	10,759	9,096
Balance carried forward	130,780	120,021	130,780	120,021

The weighted average effective interest rate on the mortgages was 10.891% (2015 – 11.63 %). mortgages loans are fully secured.

18. INVESTMENT PROPERTIES – GROUP AND COMPANY

	2016	2015
	KShs '000	KShs '000
At fair value		
At 1 January	8,025,000	7,195,000
Additions	64,487	100,401
Fair value gain	813,513	729,599
At 31 December	8,903,000	8,025,000

(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 carried out by Caroline N. Nyororo - P/No. 0002566 of Ebony Estates Limited, professional independent valuers as at 31 December 2016.

(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.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

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.

	2016	2015
	KShs '000	KShs '000
At 1 January	3,436,180	2,008,062
Share of profit for the year	361,159	335,727
Less: dividends* - received in cash	-	(68,485)
receipt of additional shares	(73,687)	-
	3,723,652	**2,275,304**
Share of revaluation reserve	2,431	344
Share of fair value reserve	(26,833)	(60,980)
Currency translation adjustment	102,440	(35,896)
Investment in the year - paid in cash	32,448	1,257,408
-capitalisation of dividends	73,687	-
	184,173	**1,160,876**
Net carrying amount of the investment	**3,907,825**	**3,436,180**

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:

	2016	2015
	KShs	KShs
Closing rate	102.49	102.31
Average rate	101.50	98.59
Ownership	**18.97%**	**19.88%**

Summary financial information for ZEP-Re

	2016	2015
	KShs '000	KShs '000
Total assets	33,026,074	31,355,867
Total liabilities	**(12,741,494)**	**(14,075,138)**
Net assets	**20,284,580**	**17,280,729**
Group's share of net assets of associate	3,731,699	3,436,180
Profit before tax	1,859,184	1,901,013
Tax*	-	-
Profit for the year	1,859,184	1,901,013
Group's share of profit for the year	**361,159**	**335,727**

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

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

20. INVESTMENT IN SUBSIDIARIES -COMPANY

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

	Proportion of ownership interest and voting power held at			
	2016	2015	2016	2015
Investment at cost:			KShs '000	KShs '000
Kenya Reinsurance Corporation Côte d`Ivoire	100%	100%	4,186	4,186
Kenya Reinsurance Corporation Zambia	100%	-	183,596	-
			187,782	4,186

The primary business of the two subsidiaries is reinsurance.

21. RETIREMENT BENEFIT OBLIGATION– GROUP and COMPANY

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 2016 is 3.8 (2015: 3.9).

During the reading of the budget statement for 2015/2016 by the Cabinet Secretary, National Treasury, amendments to the Retirement Benefit 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

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

21. RETIREMENT BENEFIT OBLIGATION– GROUP and COMPANY (continued)

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

	2016		2015	
	Amount	Proportion	Amount	Proportion
Asset Class	Kshs'000	%	Kshs'000	%
Quoted equities	94,585	15.3	86,350	20.1
Fixed deposits, commercial papers and government bonds	284,909	46.2	301,736	70.1
Employer contribution	-	-	41,600	9.7
Net current assets	82,443	13.4	467	0.1
Properties and other fixed assets	155,000	25.1	-	-
Total	**616,937**	**100%**	**430,153**	**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 2016	KShs 602.6 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.

GROUP AND COMPANY	2016	2015
	KShs '000	KShs '000
The actuarial valuation results were as follows:		
Present value of funded obligations	(602,603)	(511,258)
Fair value of scheme assets	616,937	430,153
Net asset in the statement of financial position	**14,334**	**(81,105)**
Movement in present value of funded obligation:		
As at 1 January	511,258	492,234
Current service costs	5,305	5,761
Interest cost	70,296	64,430
Actuarial (gain)/loss	39,334	(15,450)
Benefits payment	(23,590)	(35,717)
At 31 December	**602,603**	**511,258**

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

21. RETIREMENT BENEFIT OBLIGATION (continued)

Defined benefit scheme (continued)

	GROUP		COMPANY	
	2016	2015	2016	2015
	KShs '000	KShs '000	KShs '000	KShs '000
Movement in fair value of plan assets				
As at 1 January	430,153	572,671	430,153	572,671
Interest income on plan assets	58,570	77,708	58,570	77,708
Return on plan assets (excluding amount in interest income)	151,804	(226,109)	151,804	(226,109)
Employer contributions	-	41,600	-	41,600
Benefits and expenses paid	(23,590)	(35,717)	(23,590)	(35,717)
At 31 December	**616,937**	**430,153**	**616,937**	**430,153**
Movement in net assets				
As at 1 January	(81,105)	80,437	(81,105)	80,437
Net expense recognised in profit or loss	(17,031)	7,517	(17,031)	7,517
Net (charge) / credit recognised in other comprehensive income	112,470	(210,659)	112,470	(210,659)
Employer contributions	-	41,600	-	41,600
At 31 December	**14,334**	**(81,105)**	**14,334**	**(81,105)**
Amount recognised in profit or loss:				
Current service cost net of employees' contributions	5,305	5,761	5,305	5,761
Net interest on obligation and plan assets	**11,726**	**(13,278)**	**11,726**	**(13,278)**
Total included in "staff costs" in respect of scheme	**17,031**	**(7,517)**	**17,031**	**(7,517)**
Amount recognised in other comprehensive income:				
Actuarial gains	39,334	(15,450)	39,334	(15,450)
Return on plan assets (excluding amount in interest income)	**(151,804)**	**226,109**	**(151,804)**	**226,109**
Total (credit) / charge to other comprehensive income	**(112,470)**	**210,659**	**(112,470)**	**210,659**
Actuarial assumptions				
Discount rate (% p.a.)	14.5%	14%	14.5%	14%
Future salary increases (% p.a.)	5%	5%	5%	5%
Future pension increases (% p.a.)	3%	3%	3%	3%
Retirement age (years)	55	55	55	55

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

21. RETIREMENT BENEFIT OBLIGATION (continued)

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 2016, 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 (2015 – KShs 20,776,000) to the defined contribution pension scheme and KShs 265,000 (2015 – KShs 1,045,000) to the NSSF.

22. UNQUOTED EQUITY INSTRUMENTS – AVAILABLE FOR SALE

	GROUP		COMPANY	
	2016	2015	2016	2015
	KShs '000	KShs '000	KShs '000	KShs '000
At cost				
At 1 January	202,231	167,113	202,231	167,113
Addition	-	35,118	-	35,118
At 31 December	202,231	202,231	202,231	202,231

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

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 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 (2015: KShs. 202 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.

The instruments have therefore been stated at cost less any impairment loss in the year.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

23. CORPORATE BONDS

	GROUP		COMPANY	
	2016	2015	2016	2015
	KShs '000	KShs '000	KShs '000	KShs '000
At 1 January	494,146	419,134	494,146	419,134
Purchases during the year	-	80,512	-	80,512
Redemptions during the year	(5,925)	(5,925)	(5,925)	(5,925)
Increase in interest accrued	(299)	425	(299)	425
	487,923	494,146	487,923	494,146

		GROUP		COMPANY	
		2016	2015	2016	2015
Made up as below:	Maturity	KShs '000	KShs '000	KShs '000	KShs '000
KENGEN Limited	31-Oct-19	18,122	24,237	18,122	24,237
Consolidated Bank of Kenya Limited	24-Jul-19	105,679	105,642	105,679	105,642
NIC Bank	09-Sep-19	207,830	207,898	207,830	207,898
Centum	08-Jun-20	81,029	81,001	81,029	81,001
Commercial bank of Kenya Ltd	14-Dec-20	75,263	75,368	75,263	75,368
		487,923	494,146	487,923	494,146

The average effective interest rate on the corporate bonds at 31 December 2016 was 11.74% (2015: 12.80 %).

24. RECEIVABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

	GROUP		COMPANY	
	2016	2015	2016	2015
	KShs '000	KShs '000	KShs '000	KShs '000
Local companies	885,089	714,689	885,089	714,689
International companies	3,907,863	3,126,126	3,541,473	2,784,483
Less: impairment provision	(1,210,885)	(640,846)	(1,074,945)	(640,846)
	3,582,067	3,199,969	3,351,617	2,858,326
The movement in provisions is as below:				
Balance brought forward	(640,846)	(1,173,420)	(640,846)	(1,173,420)
Write offs	-	646,193	-	646,193
Additional provision	(570,039)	(113,619)	(434,099)	(113,619)
Balance carried forward	(1,210,885)	(640,846)	(1,074,945)	(640,846)

25. PREMIUM AND LOSS RESERVES

International companies	935,948	767,996	811,533	702,560
Local companies	56,946	49,299	56,946	49,299
Provision for impaired balances	(613,297)	(518,318)	(591,596)	(518,318)
	379,597	298,977	276,883	233,541

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

25. PREMIUM AND LOSS RESERVES (continued)

The movement in provisions is as below:

	GROUP		COMPANY	
	2016	2015	2016	2015
	KShs '000	KShs '000	KShs '000	KShs '000
At 1 January	(518,318)	(518,318)	(518,318)	(518,318)
Additional provision	(94,979)	-	(73,278)	-
At 31 December	**(613,297)**	**(518,318)**	**(591,596)**	**(518,318)**

Reconciliation of provisions in the Statement of Comprehensive Income is as below:

	GROUP		COMPANY	
	2016	2015	2016	2015
	KShs '000	KShs '000	KShs '000	KShs '000
Provision on receivables arising out of reinsurance arrangements	(570,039)	(113,619)	(434,099)	(113,619)
Provision on premium and loss reserves	(94,979)	-	(73,278)	-
At 31 December	**(665,018)**	**(113,619)**	**(507,377)**	**(113,619)**

26. OTHER RECEIVABLES

	GROUP		COMPANY	
	2016	2015	2016	2015
	KShs '000	KShs '000	KShs '000	KShs '000
Staff advances	45,304	41,042	44,552	39,518
Prepayments	6,359	11,461	6,080	10,600
Rental receivables	132,069	34,794	132,069	34,794
Dividends receivable	1,902	4,579	1,902	4,579
Other receivables	422	20,910	130	4,387
	186,056	**112,786**	**184,733**	**93,878**

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

27. QUOTED EQUITY INSTRUMENTS – AVAILABLE FOR SALE

GROUP and COMPANY	2016	2015
	KShs '000	KShs '000
At 1 January	2,553,572	3,256,975
Fair value gain	(535,438)	(613,315)
Purchases during the year	355,602	160,293
Disposal during the year	(307,484)	(250,381)
	2,066,252	**2,553,572**

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

28. GOVERNMENT SECURITIES– GROUP and COMPANY

	2016	2015
	KShs '000	KShs '000
At 1 January	9,186,523	7,712,401
Purchases during the year	2,898,870	1,796,642
Maturities during the year	(396,337)	(416,500)
Amortisation charge for the period- Held to maturity	4,205	24,080
Fair value loss on available-for-sale government securities	(6,952)	-
Increase in Interest accrued	34,968	69,900
	11,721,276	9,186,523
Maturing:		
- Within 3 months	214,757	15,623
- Within 4 to 12 months	1,222,077	398,116
- Within 1 to 5 years	1,753,500	1,055,905
- Over 5 years	8,530,942	7,716,879
At 31 December	**11,721,276**	**9,186,523**

Treasury bonds amounting to KShs 1,889,550,000 (2015 – KShs 1,889,550,000) 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 11.06 % (2015 – 11.96%).

29. INVENTORY

	GROUP		COMPANY	
	2016	2015	2016	2015
	KShs '000	KShs '000	KShs '000	KShs '000
As 31 December	**43,968**	**32,846**	**42,908**	**32,017**

Inventories comprise stationery and repair materials.

30. DEFERRED ACQUISITION COSTS

	GROUP		COMPANY	
	2016	2015	2016	2015
	Kshs'000	KShs '000	KShs '000	KShs '000
At 1 January	1,223,150	1,148,252	1,183,769	1,148,252
Deferred during the year	1,303,254	1,223,150	1,240,471	1,183,769
Released to the statement of profit or loss	(1,223,150)	(1,148,252)	(1,183,769)	(1,148,252)
At 31 December	**1,303,254**	**1,223,150**	**1,240,471**	**1,183,769**

Deferred acquisition costs have been estimated at 40% of cedant costs incurred.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

31. NON CURRENT ASSETS HELD FOR SALE

	GROUP		COMPANY	
	2016	2015	2016	2015
	Kshs'000	KShs '000	KShs '000	KShs '000
At 31 December	28,098	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 its 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.

32. DEPOSITS WITH FINANCIAL INSTITUTIONS

	GROUP		COMPANY	
	2016	2015	2016	2015
	KShs '000	KShs '000	KShs '000	KShs '000
Loans and receivables	4,196,935	5,957,281	3,951,416	5,881,609

The weighted average effective interest rate on deposits with financial institutions was 11.80% (2015 – 10.40%).

33. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2016	2015	2016	2015
	KShs '000	KShs '000	KShs '000	KShs '000
Cash and bank balances	348,546	318,729	305,933	281,925

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

	GROUP		COMPANY	
	2016	2015	2016	2015
	KShs '000	KShs '000	KShs '000	KShs '000
Short term bank deposits	4,196,935	5,957,281	3,951,416	5,881,609
Cash and bank balances	348,546	318,729	305,933	281,925
	4,545,481	6,276,010	4,257,349	6,163,534

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

34. LONG TERM REINSURANCE LIABILITIES– GROUP and COMPANY

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 2016 and according to the valuation, the fund had a surplus of KShs 5,001 million (2015 – KShs 4,279 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 2016 is summarised as follows:

	2016	2015
	KShs '000	KShs '000
Life fund	7,178,471	6,458,375
Less: actuarial value of policy holder liabilities	(2,177,401)	(2,179,836)
Actuarial surplus	5,001,070	4,278,539
Less deferred tax liability (note 37)	(1,498,938)	(1,283,366)
Statutory reserve	3,502,132	2,995,173

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

	2016	2015
	KShs '000	KShs '000
As at 1 January	2,179,836	2,097,683
Movement in liabilities	(2,435)	82,153
	2,177,401	2,179,836

Valuation assumptions

The significant valuation assumptions for the actuarial valuation as at 31 December 2016 are summarised below. The same assumptions were used in 2015.

(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.

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.

(ii) Investment returns

The rate of return on the life fund assets in 2016 was 9.7% per annum (2015 – 13.4% per annum).

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

35. SHORT TERM INSURANCE CONTRACT LIABILITIES

GROUP

2016	Gross	Reinsurance	Net
	KShs'000	KShs'000	KShs'000
As at 1 January 2016	5,718,429	(552,139)	5,166,290
Movement	100,925	263,335	364,260
As at 31 December 2016	**5,819,354**	**(288,804)**	**5,530,550**

2015	Gross	Reinsurance	Net
	KShs'000	KShs'000	KShs'000
As at 1 January 2015	5,051,159	(533,020)	4,518,139
Movement	667,270	(19,119)	648,151
As at 31 December 2015	**5,718,429**	**(552,139)**	**5,166,290**

COMPANY

2016	Gross	Reinsurance	Net
	KShs'000	KShs'000	KShs'000
As at 1 Jan 2016	5,629,416	(552,139)	5,077,277
Movement	100,925	263,335	364,260
As at 31 Dec 2016	**5,730,341**	**(288,804)**	**5,441,537**

2015	Gross	Reinsurance	Net
	KShs'000	KShs'000	KShs'000
As at 1 Jan 2015	4,962,146	(444,008)	4,518,138
Movement	667,270	(108,131)	559,139
As at 31 Dec 2015	**5,629,416**	**(552,139)**	**5,077,277**

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.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

35. SHORT TERM INSURANCE CONTRACT LIABILITIES (continued)

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

Claims development

GROUP

Accident year	2012	2013	2014	2015	2016	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Estimate of ultimate claims costs:						
At end of accident year	4,497,474	2,145,215	2,646,722	3,012,228	6,869,702	19,171,341
One year later	4,800,334	1,914,299	2,334,330	2,446,494	-	11,495,456
Two years later	1,141,326	369,261	1,046,220	-	-	2,556,808
Three years later	350,054	339,383	-	-	-	689,437
Four years onwards	829,954	-	-	-	-	829,954
Current estimate of cumulative claims	11,619,142	4,768,157	6,027,273	5,458,721	6,869,702	34,742,996
Less: cumulative payments to date	(11,185,157)	(4,513,719)	(5,593,543)	(4,603,894)	(3,316,132)	(29,212,446)
Total gross claims liability included in the statement of financial position	433,986	254,439	433,729	854,827	3,553,570	5,530,550

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

35. SHORT TERM INSURANCE CONTRACT LIABILITIES (continued)

COMPANY

Accident year	2012	2013	2014	2015	2016	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Estimate of ultimate claims costs:						
At end of accident year	4,497,474	2,145,215	2,646,722	3,012,228	6,869,702	19,171,341
One year later	4,800,334	1,914,299	2,334,330	2,357,480	-	11,406,443
Two years later	1,141,326	369,261	1,046,220	-	-	2,556,808
Three years later	350,054	339,383	-	-	-	689,437
Four years onwards	829,954	-	-	-	-	829,954
Current estimate of cumulative claims	11,619,142	4,768,157	6,027,273	5,369,708	6,869,702	34,653,983
Less: cumulative payments to date	(11,185,157)	(4,513,719)	(5,593,543)	(4,603,894)	(3,316,132)	(29,212,446)
Total gross claims liability included in the statement of financial position	**433,986**	**254,439**	**433,729**	**765,814**	**3,553,570**	**5,441,537**

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

36. PAYABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

	GROUP		COMPANY	
	2016	2015	2016	2015
	KShs '000	KShs '000	KShs '000	KShs '000
Local companies	128,980	117,329	128,980	117,329
International companies	431,577	395,167	285,127	259,369
	560,557	512,496	414,107	376,698

37. DEFERRED TAX LIABILITY

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

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

GROUP and COMPANY

	2016	2015
Deferred tax assets:	KShs '000	KShs '000
Excess depreciation over capital allowances	17,525	14,283
Leave pay provision	(8,492)	(8,390)
Defined benefit liability	5,986	877
Other provisions	(26,432)	-
Bad debts provisions	(584,767)	(412,979)
	(596,180)	(406,209)
Deferred tax liabilities:		
Unrealised exchange gain	-	26,961
Life fund actuarial surplus	1,498,938	1,283,366
Net deferred tax liability	902,758	904,118

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

At 1 January	904,118	550,519	904,118	550,519
Charge for the year (note 11)	(1,360)	353,599	(1,360)	353,599
At 31 December	902,758	904,118	902,758	904,118

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

38. OTHER PAYABLES

	GROUP		COMPANY	
	2016	2015	2016	2015
	KShs '000	KShs '000	KShs '000	KShs '000
Purchasers deposits	5,879	11,356	5,879	11,356
Legal fees deposits	4,259	9,979	4,259	9,979
Rental deposits	117,937	101,714	117,937	101,714
Accrued leave pay	17,367	13,133	12,632	13,834
Accounts payable	233,990	341,125	229,072	338,191
Other creditors and accruals	114,268	139,523	109,681	258,461
	493,700	**616,830**	**479,460**	**733,535**

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

39. UNEARNED PREMIUMS

	GROUP		COMPANY	
	2016	2015	2016	2015
	KShs '000	KShs '000	KShs '000	KShs '000
At 1 January	4,560,594	4,010,877	4,407,392	4,010,877
Transfer to Kenya Re Ivory coast	-	-	(218,668)	(104,906)
Increase/ decrease in the year	(46,891)	549,717	109,334	501,421
At 31 December	**4,513,703**	**4,560,594**	**4,298,058**	**4,407,392**

40. DIVIDENDS

The directors propose the payment of a first and final dividend of KShs 0.80 (2015 – KShs 0.75) per share totalling to KShs 560 million in respect of the year ended 31 December 2016 (2015 – KShs 525 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	
	2016	2015	2016	2015
	KShs '000	KShs '000	KShs '000	KShs '000
At 1 January	-	-	-	-
Dividend declared	559,959	524,962	559,959	524,962
Dividends paid	(559,959)	(524,962)	(559,959)	(524,962)
At 31 December	**-**	**-**	**-**	**-**
Proposed cash dividend per share (KShs)	**0.80**	**0.75**	**0.80**	**0.75**

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

41. NOTES TO THE STATEMENT OF CASH FLOWS

	GROUP		COMPANY	
	2016	2015	2016	2015
	KShs '000	KShs '000	KShs '000	KShs '000
Profit before tax	4,218,086	4,514,136	4,309,404	4,390,705
Adjustment for:				
Depreciation (note 15)	31,553	27,402	31,041	27,005
Interest on corporate bonds	(59,191)	(56,134)	(59,191)	(56,134)
Interest on government securities (note 7)	(1,242,104)	(1,085,818)	(1,242,104)	(1,085,818)
Interest on staff mortgages and loans (note 7)	(14,356)	(11,694)	(14,224)	(11,556)
Interest on deposits with financial institutions (note 7)	(541,893)	(647,915)	(539,099)	(645,043)
Interest on commercial mortgages (note 7)	(68,550)	(77,329)	(68,550)	(77,329)
Dividend income (note 7)	(127,079)	(112,350)	(127,079)	(112,350)
Provision for doubtful debts	665,018	113,619	507,377	113,619
Amortisation of software (note 16)	39,940	26,570	39,940	26,570
Realised accumulated fair value gain on available for sale quoted equity instruments (note 7)	(209,228)	(202,319)	(209,228)	(202,319)
Gain on disposal of property and equipment (note 8)	-	(904)	-	(904)
Profit on sale of inventory property (note 7)	(47,461)	(101,206)	(47,461)	(101,206)
Fair value gain on investment properties (note 18)	(813,513)	(729,599)	(813,513)	(729,599)
Defined benefit gain recognised in profit or loss	17,031	(7,517)	17,031	(7,517)
Share of profit of associate (note 19)	(361,159)	(335,727)	(361,159)	(335,727)
Operating profit before working capital changes	**1,487,094**	**1,313,215**	**1,423,185**	**1,192,397**
Short term reinsurance contract liabilities	364,260	648,152	364,260	559,139
Unearned premiums	(46,891)	549,717	(109,334)	396,515
Other payables	(123,130)	210,925	(254,075)	327,631
Long term reinsurance contract liabilities	(2,435)	82,155	(2,435)	82,155
Mortgage loans	(53,537)	66,852	(57,902)	71,666
Other receivables	(75,947)	(14,735)	(93,527)	4,173
Increase in inventories	(11,122)	(32,846)	(10,891)	(32,017)
Deferred acquisition costs (note 31)	(80,104)	(74,898)	(56,702)	(35,517)
Premium and loss reserves	(175,599)	(128,191)	(116,620)	(62,755)
Payables arising out of reinsurance arrangements	48,061	60,805	37,409	(74,993)
Increase in due from related party	-	-	154,181	(196,805)
Receivables arising out of reinsurance arrangements	(952,137)	(1,090,627)	(927,390)	(748,984)
Defined benefit liability	-	(41,600)	-	(41,600)
Net cash generated from operations	**378,513**	**1,548,924**	**350,159**	**1,441,005**

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

42. 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	
		2016	2015	2016	2015
		Kshs'000	KShs '000	KShs '000	KShs '000
(a)	**Transactions and balances with directors and staff**				
(i)	Directors' remuneration				
	Fees	5,999	6,000	5,999	6,000
	Other emoluments	15,411	12,218	15,411	12,218
		21,410	18,218	21,410	18,218
(ii)	Key management remuneration				
	Salaries and other short term benefits	45,874	40,208	45,874	40,208
	Post-employment benefits	2,177	1,736	2,177	1,736
		48,051	41,944	48,051	41,944
(iii)	Loans to staff	196,678	262,417	196,678	262,417

Interest income on these loans was KShs 11,694,120 (2015 – KShs 10,457,940). The effective interest on the loans is 5 % (2015 – 5%). Staff mortgages and car loans are fully secured.

		GROUP		COMPANY	
		2016	2015	2016	2015
		Ksh'000	KShs '000	KShs '000	KShs '000
(b)	**Transaction with associate company, ZEP Re**				
(i)	Net premium written	54,863	42,832	54,863	42,832
(ii)	Claims incurred	35,215	29,700	35,215	29,700

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

			2016	2015
			KShs '000	KShs '000
(c)	**Outstanding balances with related parties:**			
	Due From;-	Relationship		
	Amount due from Kenya Reinsurance Corporation Cote d`Ivoire	Subsidiary	7,422	196,805
	Amount due from Kenya Reinsurance Corporation Zambia	Subsidiary	35,202	-
			42,624	196,805

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

43. INVENTORY PROPERTY HELD FOR SALE

	GROUP		COMPANY	
	2016	2015	2016	2015
	KShs '000	KShs '000	KShs '000	KShs '000
Cost	918,077	946,871	918,077	946,871
Less: Disposal*	-	(28,794)	-	(28,794)
Less: Impairment provision	(918,077)	(918,077)	(918,077)	(918,077)
	-	-	-	-

There was no movement in impairment provision for inventory property held for sale. The impairment allowance mainly relates to inventory properties that are currently in dispute and are subject to ongoing court cases.

* Included in prior year disposal is the cost of undisputed property disposed in the current year for KShs 46,761,000.

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 subsidiary commenced operations in the current year and has therefore been consolidated into these financial statements.

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).

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

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 (2015: Kshs.712 million). Future minimum rentals receivable under non-cancellable operating leases as at 31 December are, as follows:

	2016	2015
	KShs'000	KShs'000
Not later than one year	53,955	923,633
Later than 1 year but not later than 5 years	1,947,629	2,386,213
Later than 5 years	121,076	17,500
	2,122,660	3,327,346

KENYA REINSURANCE CORPORATION LIMITED
SHORT TERM BUSINESS REVENUE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2016
Appendix I

	Aviation	Engineering	Fire Domestic	Fire Industrial	Liability	Marine	Motor Private	Motor Commercial	Personal Accident	Theft	Workmen Compensation	Medical	Misc.	Total 2016	Total 2015
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Gross premium	23,455	749,227	9,868	3,547,692	143,826	569,391	9,835	614,731	522,842	498,619	12.724	3,860.073	1,200,366	11,762,650	11,779,216
Unearned premiums b/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	4,010,877
Unearned premiums c/f	(3,902)	299,691	3,947	1,282,031	57,531	227,757	3,934	245,892	209,137	199,448	5,089	1,544,029	439,119	4,513,703	4,560,594
Movement in unearned premium	15,890	(11,525)	(2,997)	314,452	(9,944)	43,219	10,734	(47,502)	284,116	19,731	(4,832)	(520,223)	(44,228)	46,891	(549,717)
Earned premiums	39,345	737,703	6,872	3,862,144	133,882	612,610	20,569	567,229	806,958	518,350	7,891	3,339,849	1,156,138	11,809,541	11,229,499
Less: Retrocession premiums	23,210	-	-	342,614	-	-	-	-	-	-	-	-	112,568	478,392	377,730
Net earned premiums	16,135	737,703	6,872	3,519,530	133,882	612,610	20,569	567,229	806,958	518,350	7,891	3,339,849	1,043,570	11,331,149	10,851,769
Claims paid	9,559	246,332	18,118	2,309,698	9,927	259,672	4,675	208,928	283,597	210,127	558	2,213,490	213,705	5,986,387	6,158,271
Claims recoverable	-	-	-	(303,016)	-	-	-	-	-	-	-	-	-	(303,016)	(293,165)
Claims reserves - beg. of year	(13,828)	(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)
- end of year	14,369	268,152	5,173	1,912,444	34,438	506,087	40,755	694,878	342,757	293,869	1,836	1,121,567	294,228	5,530,550	5,166,290
Net claims incurred	10,099	183,926	22,982	2,381,462	21,712	360,523	1,459	172,871	(75,893)	110,594	1,817	2,590,246	266,033	6,047,632	6,513,257
Commissions	6,044	236,527	1,895	1,118,953	36,241	180,839	1,290	55,793	205,159	180,445	1,114	829.165	325,416	3,178,081	2,988,422
Commissions receivable	-	(51)	-	-	-	-	-	-	-	-	-	-	-	(51)	(5,445)
Provision for bad debts	1,326	42,359	558	200,574	8,131	32,191	556	34,755	29,560	28,190	719	218,235	67,864	665,019	198,357
Management expenses	3,235	103,333	1,361	489,295	19,836	78,530	1,356	84,783	72,110	68,769	1,755	532.378	165,553	1,622,295	1,033,132
Total expenses	10,605	382,168	3,814	1,808,822	64,209	290,761	3,202	175,331	306,828	277,404	3,588	1,579,778	558,834	5,465,344	4,214,466
Underwriting profit/(loss)	(4,569)	171,608	(19,924)	(670,754)	47,961	(38,674)	15,908	219,227	576,023	130,352	2,486	(830,174)	218,703	(181,827)	124,046

This short term business revenue account was approved by the Board of Directors on 30th March 2017 and was signed on its behalf by

Principal Officer

Director

Director

KENYA REINSURANCE CORPORATION LIMITED

LONG TERM BUSINESS REVENUE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2016

Appendix II

	Ordinary KShs '000	Super Annuation KShs '000	2016 KShs '000	2015 KShs '000
Gross earned premiums	115,277	1,366,664	1,481,941	1,281,125
Less: Retrocession premiums	(9,827)	(116,503)	(126,329)	(116,816)
Net earned premium	105,450	1,250,162	1,355,611	1,164,309
Net claims incurred	15,782	619,539	635,321	466,198
Change in actuarial liability	13,829	(16,264)	(2,435)	82,155
Net cedant acquisition costs	52,479	368,560.06	421,039	379,344
Management expenses	16,340	193,725	210,065	201,080
	98,431	1,165,560	1,263,990	1,128,777
Underwriting surplus	7,019	84,602	91,621.14	35,532
Fair value gains	12,485	148,012	160,496	100,000
Investment income	40,319	478,007	518,327	506,854
Increase in life funds	59,823	710,621	770,444	642,386

The long term business revenue account was approved by the board of directors on 30th March 2017 and was signed on its behalf by:

Principal Officer

PROXY FORM

Shareholder / Member No. _______________

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

I/WE ___________________________________ of ____

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

or failing him/her ____of ___________________________________

as *my/our proxy to vote for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held at the **Bomas of Kenya, Lang'at Road, Nairobi, on Friday, 16th June 2017 at 11.00 a.m.**, and at any adjournment thereof.

Signature(s)____ _______________________________________

Signed this __________________________ day of _____________________________________ 2017.

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 16th June 2017

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

Name: ____ Signature(s): ______________________________

Annual General Meeting of Kenya Reinsurance Corporation Limited to be held at the Bomas of Kenya, off-Langata Road, Nairobi, on Friday, 16th June 2017 at 11.00 a.m.

FOMU YA MWAKILISHI

Mwenyehisa / Nambari ya Mwanachama: ________________

Katibu wa Shirika

Kenya Reinsurance Corporation Limited

Orofa ya 15, Jumba la Reinsurance Plaza

Taifa Road

S.L.P 30271–00100

NAIROBI

MIMI/SISI

____ wa ____

kama mwanachama/wanachama wa **SHIRIKA LA KENYA REINSURANCE CORPORATION LIMITED**, na/tunamteua

____wa ____

au kumwangusha________________________________wa ________________________________

kama mwakilishi wa atakayepiga kura kwa niaba yangu/yetu katika Mkutano Mkuu wa Mwaka wa Kampuni hii utakaofanyika katika ukumbi wa **Bomas of Kenya, Barabara ya Langata, Nairobi, Ijumaa, Juni 16, 2017 saa tano asubuhi,** na katika mkutano mwingine wowote.

Saini____________________________________ ________________________________

Nilitia saini ________________________ siku ya ____ 2017.

Fomu hii inapaswa kutumika kuunga mkono au kupinga uamuzi wa kupiga kura. Pasipo maagizo tofauti basi mwakilishi atapiga kura kulingana na uamuzi wake.

** Ondoa isiyohitajika.*

Maelezo:

1. *Anwani inapaswa kuwa ile iliyo katika sajili ya wanachama.*
2. *Ikiwa mwanachama ni shirika, uwakilishi huu sharti ufanyike kwa Muhuri wa Kawaida au kutiwa saini kwa niaba ya wakili au afisa wa Shirika lililoidhinishwa.*
3. *Sio lazima mwakilishi aliyeteuliwa awe mwanachama wa Kampuni hii.*
4. *Katika suala la wamiliki washirika, saini ya mumliki yeyote itatosha lakini majina ya wamiliki washirika lazima yaandikwe.*

Barua ya mwaliko ya mwenyehisa ya kuhudhuria Mkutano Mkuu wa Mwaka utakaondaliwa Juni 16, 2017

Tafadhali jaza fomu hii na fahamu kuwa lazima itolewe katika Mkutano Mkuu wa Mwaka na wewe mwenyewe au mwakilishi wako ili jina lako liandikwe kwenye orodha ya waliohudhuria. Tafadhali fahamu kuwa ni wenyehisa waliosajiliwa katika kipindi kisichozidi saa arubaini na nane (48) pekee ndio watakaoruhusiwa kuhudhuria mkutano.

Jina: ____ Saini: ______________________________

*Mkutano Mkuu wa Mwaka wa Kampuni ya Kenya Reinsurance Corporation Limited utakaofanyika katika Ukumbi wa **Bomas of Kenya, Barabara ya Langata, Nairobi, Ijumaa Juni 16, 2017,** saa tano asubuhi.*

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KENYA RE

STRENGTH & WISDOM BEYOND BORDERS

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