2018

www.kenyare.co.ke

ANNUAL REPORT AND GROUP FINANCIAL STATEMENT

Who we are

CORPORATE VISION

Global partner in securing risk.

CORPORATE MISSION

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

CORE VALUES

Kenya Re pledges that in 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

STATEMENT OF PURPOSE:

Seamless stability

CONTENTS

GROUP INFORMATION

FOR THE YEAR ENDED 31ST DECEMBER 2018

DIRECTORS

David Kemei	-	Chairman
Jadiah Mwarania	-	Managing Director
Henry Rotich	-	Cabinet Secretary, National Treasury (Re-elected on 21 June 2018)
Chiboli Shakaba		
Everest Lenjo		
Felix Okatch	-	Re-elected on 21 June 2018
Maina Mukoma		
Jennifer Karina	-	Re-elected on 21 June 2018
Felistas Ng'atuny		
Anthony Munyao		
Zipporah Mogaka		

SECRETARY

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

REGISTERED OFFICE

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

BANKERS

Kenya Commercial Bank Limited
Moi Avenue
P. O. Box 30081 – 00100
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'lvoire

Citibank Zambia Limited
Citibank House
Stand 4646 Addis Ababa Roundabout
P.O. Box 30037 - 10101
Lusaka, Zambia

CONSULTING ACTUARIES

Zamara Actuaries, Administrators & Consultants 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
Nairobi, Kenya

SHARE REGISTRARS

Image Registrars Limited
Barclays Plaza, Loita Street, 5th Floor
P.O. Box 9287 – 00100
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
Nairobi, Kenya

Kaplan & Stratton Advocates
Williamson House
4th Ngong Avenue
P.O. Box 40111 – 00100
Nairobi, Kenya

SUBSIDIARIES

Kenya Reinsurance Corporation Côte d ` Ivoire
Saphir Center
7e tranche Carrefour Les Oscars
Cocody-Abidjan

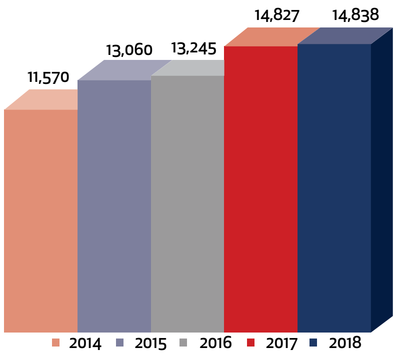
Kenya Reinsurance Corporation Zambia Limited
D.G Office Park, No. 1 Chila Road
Kabulonga, Lusaka
P.O. Box 30578 10101, Zambia

AUDITORS

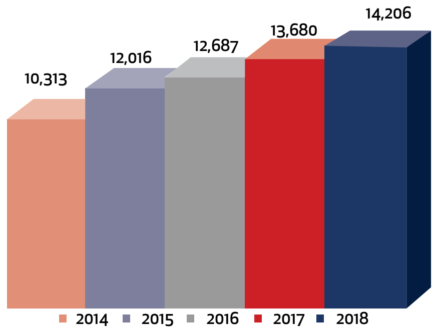
Auditor General
Kenya National Audit Office
P.O. Box 30084 – 00100
Nairobi, Kenya

PERFORMANCE INDICATORS

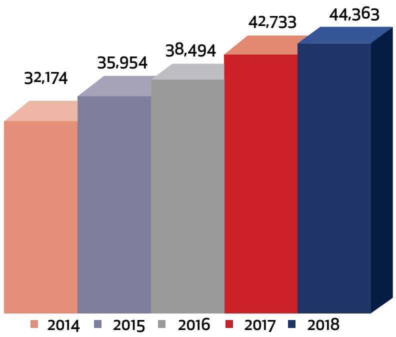
Gross Premiums Written in Kshs Millions



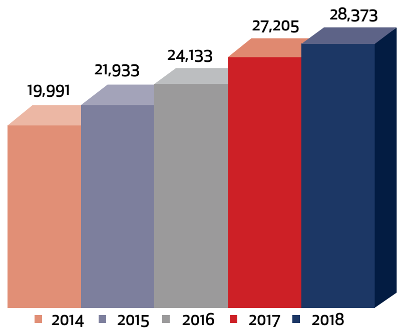
Net Premiums Written in Kshs Millions



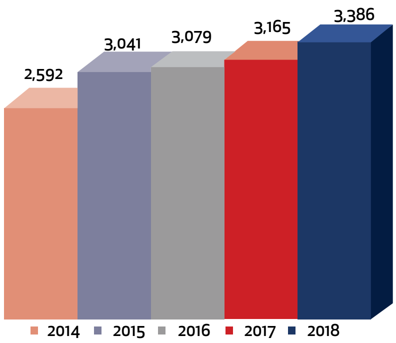
Total Assets in Kshs Millions



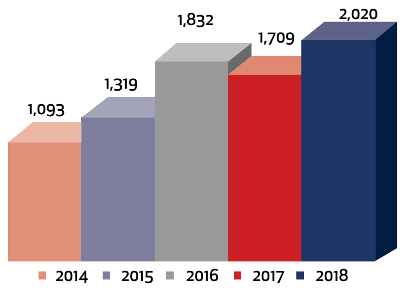
Shareholders' funds in Kshs Millions



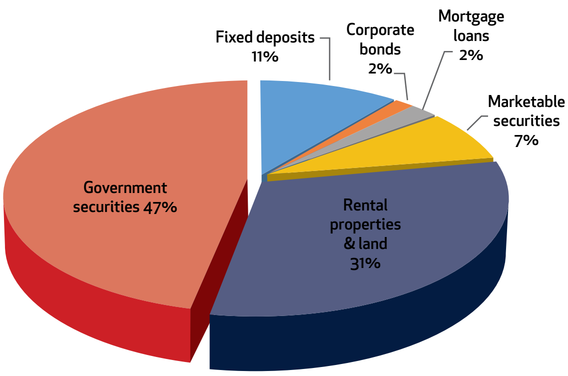
Investments income in Kshs Millions



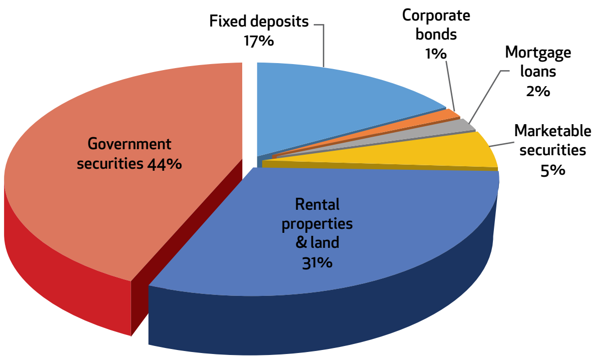
Management expenses in Kshs Millions



2017



2018



NOTICE OF THE 2019 ANNUAL GENERAL MEETING

Notice is hereby given that the **21ST ANNUAL GENERAL MEETING OF KENYA REINSURANCE CORPORATION LIMITED** will be held at the **Bomas of Kenya, Langata Road**, Nairobi, on **Friday, 14th June 2019 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 2018 together with the Chairman's, Directors' and Auditors' Reports thereon.

3. To approve payment of a first and final dividend of KShs.0.45 per share for the financial year ended 31st December 2018 to the shareholders registered in our books as at 14th June 2019 on or about 26th July 2019, as recommended by the Board, and approve the closure of the Register of Members on 17th June 2019.

4. Election of Directors:

a) 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. Mrs. Felistas Ngatuny
   - ii. Mr. Everest Lenjo
   - iii. Mrs. Zipporah Mogaka

5. To note and approve the Directors' remuneration report for the period ended 31st December 2018.

6. Auditors
   To note that the audit of the Corporation's books of accounts will continue to be undertaken by the Auditor-General or an audit firm appointed by him in accordance with Section 14 of the State Corporations Act and Section 23 of the Public Audit Act 2015.

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

8. To authorise the Directors to appoint members of the Audit Committee of the Board.

SPECIAL BUSINESS

9. Expansion Programme – Creation of a subsidiary in Uganda
   To consider and, if thought fit, to pass the following resolution as a special resolution:
   a) "That the Company be and is hereby authorised to establish a subsidiary in Uganda on such terms and conditions as may be determined by the relevant regulatory authorities and the Board of Directors.
   b) That the Directors be and are hereby authorised to determine the conditions upon which the subsidiary in Uganda will be established and to obtain all the required regulatory approvals, consents and authorisations and generally to do and effect all acts and things required to give effect to the above resolution."

10. To consider and, if thought fit, to pass the following Resolutions:
   a) Increase in share capital
      "That subject to receipt of requisite regulatory approvals, the authorised share capital of the Company be and is hereby increased from Kenya Shillings Two Billion (Kshs.2,000,000,000.00) divided into Eight Hundred Million (800,000,000) ordinary shares of Kenya Shillings Two and Fifty Cents (Kshs.2.50) each to Kenya Shillings Eight Billion (Kshs.8,000,000,000.00) divided into Three Billion Two Hundred Million (3,200,000,000) ordinary shares of Kenya Shillings Two and Fifty Cents (Kshs.2.50) each by the creation of Two Billion Four Hundred Million (2,400,000,000) new ordinary shares of Kenya Shillings Two and Fifty Cents (Kshs.2.50) each, ranking pari passu in all respects with the existing ordinary shares of the Company."
   b) Listing of Additional Shares
      "That subject to receipt of requisite regulatory approvals, the new additional Two Billion Four Hundred Million (2,400,000,000) ordinary shares of Kenya Shillings Two and Fifty Cents (Kshs.2.50) each in the capital of the Company be and are hereby approved for listing on the main segment of the Nairobi Securities Exchange."
   c) Approval of Bonus issue of Shares
      "That subject to the passing of the above resolutions by the shareholders and the receipt of the requisite regulatory approvals, the Directors be and are hereby authorised to capitalise the sum of Kenya Shillings Five Billion Two Hundred and Forty Nine Million Six Hundred and Eighteen Thousand and Ten (Kshs. 5,249,618,010.00) being part of

the amount standing to the credit of the Company's revenue reserves as at 31st December 2018, and that the same be applied in making payment in full and at par Two Billion Ninety Nine Million Eight Hundred and Forty Seven Thousand Two Hundred and Four (2,099,847,204) ordinary shares of Kenya Shillings Two and Fifty Cents (Kshs.2.50) each in the capital of the Company and that such shares be distributed as fully paid up to the persons registered as holders of the ordinary shares in the capital of the Company at the close of business on 14th June 2019 in the proportion of three (3) ordinary shares of Kenya Shillings Two and Fifty Cents (Kshs.2.50) each for every one (1) fully paid up ordinary share of Kenya Shillings Two and Fifty Cents (Kshs.2.50) each then held in the capital of the Company by such persons (fraction of a share to be disregarded), and that, the shares so distributed shall rank pari passu for all purposes with the existing shares in the capital of the company, and further that, the new ordinary shares shall not qualify for the proposed dividend for the year ended 31st December 2018, and the Directors be and are hereby authorised and directed to give effect to this resolution.

That should any of the said Two Billion Ninety Nine Million Eight Hundred and Forty Seven Thousand Two Hundred and Four (2,099,847,204) bonus shares not be issued by reason of fractions of a share being disregarded the same be retained as unallocated in the Company's reserves.

11. To consider and, if thought fit, to pass the Special Resolution:
Amendment to the Articles of Association of the Company

"That in accordance with Section 22 of the Companies Act 2015, Article 6 of the Company's Articles of Association be amended to reflect the new share capital of the Company".

12. 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

13th May 2019

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 12th June 2019 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 complete Memorandum and Articles of Association are available for inspection on the Corporation's webside (www.kenyare.co.ke) and also at the Company's Registered Offices – 15th Floor, Reinsurance Plaza, Taifa Road, Nairobi.*

ILANI YA MKUTANO MKUU WA KILA MWAKA 2019

Ilani inatolewa kwamba **MKUTANO MKUU WA 21 WA KILA MWAKA WA SHIRIKA LA KENYA REINSURANCE CORPORATION LIMITED** utafanyika katika ukumbi wa Bomas of Kenya, barabara ya Lang'ata, Nairobi, mnamo Ijumaa tarehe 14 Juni 2019 saa tano asubuhi ambapo shughuli zifuatazo zitashughulikiwa, zikiwa ni:

AJENDA

1. Utaratibu wa Mkutano – Kusoma notisi inayotangaza ili kuandaa Mkutano huo na kukubaliana iwapo akidi imefika.

2. Kupokea, kuzingatia, na iwapo zitaidhinishwa, kukubali Taarifa za Kifedha za Shirika zilizokaguliwa za mwaka ulioishia tarehe 31 Desemba 2018 pamoja na ripoti za Mwenyekiti, Mkurugenzi Mkuu na Mkaguzi wa Hesabu zilizoambatishwa.

3. Kuidhinisha malipo ya mgao wa kwanza na wa mwisho wa **Ksh. 0.45** kwa kila hisa katika mwaka wa kifedha uliokamilikia tarehe 31 Desemba 2018 kwa wenyehisa waliokuwa wamejisajili katika viitabu vyetu kufikia tarehe 14 Juni 2019, siku ya au karibu na **tarehe 26 Julai 2019,** kama ilivyopendekezwa na Bodi, na kuidhinisha kufungwa kwa Sajili ya Wanachama tarehe 17 Juni 2019.

4. Uchaguzi wa Wakurugenzi Wakuu:
   a) Kulingana na Kifungu cha 110 cha Sheria za Ushirikiano wa Shirika hili, Wakurugenzi wafuatao wanastaafu kwa mzunguko na, kwa kuwa wanafuzu, wanajitokeza kuchaguliwa tena:
      i. Bi. Felistas Ngatuny
      ii. Bw. Everest Lenjo
      iii. Bi. Zipporah Mogaka

5. Kufahamu na kuidhinisha ripoti ya malipo ya Wakurugenzi Wakuu ya mwaka uliomalizikia tarehe 31 Desemba 2018.

6. Wakaguzi wa mahesabu
   Kubaini kuwa ukaguzi wa vitabu vya uhasibu vya Shirika utaendelea kushughulikiwa na Mkaguzi Mkuu wa Mahesabu ya Kifedha au shirika la ukaguzi wa hesabu za kifedha lililoteuliwa naye kulingana na Sehemu ya 14 ya Sheria ya Mashirika ya Kibiashara ya Serikali na Sehemu ya 23 ya Sheria ya Ukaguzi wa Mahesabu ya Kifedha ya Umma ya mwaka 2015.

7. Kuwaidhinisha Wakurugenzi Wakuu kuweka malipo (mishahara) ya Wakaguzi wa Mahesabu.

8. Kuwaidhinisha wakurugenzi ili kuchagua wanachama wa Kamati ya Ukaguzi kwenye Bodi.

SHUGHULI MAALUM

9. Mpango wa upanuzi – Kufungua utanzu nchini Uganda
   Kuzingatia, na ikipatikana kuwa sawa, kupitisha maamuzi yafuatayo kama maamuzi maalum:
   a) "Kwamba kampuni yafaa na inaidhinishwa kuunda utanzu nchini Uganda kwa msingi wa masharti na hali zinazoamuliwa na mamlaka zifaazo pamoja na Wakurugenzi Wakuu katika Bodi.
   b) Kwamba Wakurugenzi Wakuu wanafaa na kweli wanaidhinishwa kuamua hali ambazo utanzu huu nchini Uganda utabuniwa kwazo na kupata idhini zote za kisheria na ruhusa zinazohitajika, na kwa jumla kufanya na kutekeleza shughuli na mambo yanayohitajika ili kufanikisha maamuzi yaliyo hapo juu."

10. Kuzingatia na, ikionekana kufaa, kupitisha maamuzi yafuatayo:
    a) Kuongezeka kwa mtaji wa hisa
    "Kwamba baada ya kupokea idhini za sheria zinazofaa, mtaji wa hisa ulioidhinishwa wa Kampuni unafaa na unaongezwa kutoka Shilingi za Kenya Bilioni Mbili (Ksh2,000,000,000.00) ukigawanywa na hisa za kawaida Milioni Mia Nane (800,000,000) za Shilingi za Kenya Mbili na Nusu (Ksh2.50) kwa kila moja; kwa Shilingi za Kenya Bilioni Nane (Ksh8,000,000,000.00) zikigawanywa na Bilioni Tatu na Milioni Mia Mbili (3,200,000,000) za hisa za kawaida za Shilingi za Kenya Mbili na Nusu (Ksh2.50) kwa kila moja kwa kubuni Bilioni Mbili na Milioni Mia Nne (2,400,000,000) za hisa mpya za kawaida za Shilingi za Kenya Mbili Unusu (Ksh2.50) kila moja, zote mbili zikiorodheshwa sambamba, katika hali zote na hisa za kawaida zilizopo za Kampuni.
    b) Uorodheshaji wa Hisa za Ziada
    "Kwamba baada ya kupokea idhini za kisheria zifaazo, Bilioni Mbili Milioni mia Nne, (2,400,000,000) zaidi za hisa za kawaida za Shilingi za Kenya Mbili Unusu (Ksh2.50) kwa kila moja katika mtaji wa Kampuni, zinafaa na zinaidhinishwa kuorodheshwa katika kitengo kikuu cha Soka la Hisa la Nairobi."
    c) Kuidhinisha utoaji Hisa za Bonasi
    "Kwamba baada ya kupitisha maamuzi yaliyo hapa juu na wenyehisa na kupokewa kwa idhini zifaazo kisheria, Wakurugenzi Wakuu wanafaa na wanaidhinishwa kugeuza kuwa mtaji kima cha Shilingi za Kenya Bilioni Tano Milioni

Mia Mbili na Arobaini na Tisa, Elfu Mia Sita na Kumi na Nane na Kumi (Ksh5,249,618,010.00) ziwe sehemu ya pesa zilizobakia kwa faida ya Kampuni kama hifadhi ya mapato kufikia tarehe 31 Desemba 2018, na kwamba kiasi hicho kitumike katika kulipa kikamilifu na kwa kiwango upeo cha hisa za kawaida za Bilioni Mbili Milioni Tisini na Tisa, Elfu Mia Nane na Arobaini na Saba, Mia Mbili na Nne (2,099,847,204) za Shilingi za Kenya Mbili Unusu (Ksh2.50) kwa kila moja kwenye mtaji wa Kampuni na kwamba hisa hizo zisambazwe kama zilizolipwa kikamilifu kwa watu waliosajiliwa kama wenyehisa wa hisa za kawaida katika mtaji wa Kampuni kufikia kufungwa kwa shughuli za kikazi tarehe 14 Juni 2019 kwa ngawira ya hisa tatu (3) za kawaida za Shilingi za Kenya Mbili Unusu (Ksh2.50) kwa kila hisa moja (1) ya kawaida iliyolipwa kikamilifu, kwa Shilingi za Kenya Mbili na Thumni (Ksh2.50) kwa kila moja kisha kuhifadhiwa kwenye mtaji wa Kampuni na mhusika (hisa isiyokamilika kupuuzwa), na kwamba, hisa hizo zilizosambazwa zitaorodheshwa sambamba kwa madhumuni yote miongoni mwa hisa zilizopo katika mtaji wa kampuni, na kadhalika kwamba, hisa mpya za kawaida hazitafuzu kulipiwa mgao uliopendekezwa katika mwaka uliokamilika tarehe 31 Desemba 2018, na Wakurugenzi Wakuu wanafaa na wanapewa idhini na kuelekezwa kutekeleza maamuzi haya.

Kwamba ikitokea kuwa yoyote katika hisa za ziada zilizosemwa hapo juu za Bilioni Mbili Milioni Tisini na Tisa Elfu Mia Nane na Arobaini na Saba, Mia Mbili na Nne (2,099,847,204) hazitatolewa kwa msingi wa aksami ya hisa zinazokataliwa, nazo zidumishwe kama zile zisizogawiwa mtu katika Hifadhi ya Kampuni.

11. Kuzingatia na, ikibainika kuwa inafaa, kupitisha Maamuzi Maalum:

Marekebisho ya Kanuni za Kiushirika za Kampuni hii

"Kwamba kulingana na Sehemu ya 22 ya Sheria ya Kampuni ya 2015, Kifungu cha 6 cha Kanuni za Kiushirika ya Kampuni irekebishwe ili kuakisi hisa mpya ya mtaji wa Kampuni".

12. Kutekeleza shughuli nyingine yoyote ambayo ilani inayoihusu imepokelewa.

Kwa Amri ya Bodi

Charles N. Kariuki
Katibu wa Kampuni,
Kenya Reinsurance Corporation Limited
Reinsurance Plaza, Orofa ya 15, Taifa Road
S.L.P 30271-00100
Nairobi

Tarehe 13 Mei 2019

FAHAMU:

1. *Mwanachama anayeruhusiwa kuhudhuria mkutano na kupiga kura katika mkutano huo ambaye huenda asiweze kuhudhuria anakubaliwa kumteua mwakilishi ili kuhudhuria na kupiga kura kwa niaba yake. Sio lazima mwakilishi huyo awe mwanachama wa Kampuni. Ili fomu ya mwakilishi huyo ikubalike, fomu hiyo iliyoambatishwa kwenye Ripoti hii ya Mwaka au iliyoopolewa kutoka kwa wavuti wa Shirika hili (www.kenyare.co.ke), lazima ijazwe kwa ukamilifu na kutiwa saini na mwanachama kisha iwasilishwe kwa afisi zilizosajiliwa za Wasajili wa Hisa wa Shirika hili,* ***M/S Image Registrars Limited, Barclays Plaza, Orofa ya 5, Barabara ya Loita Street, na S.L.P. 9287 -00100 GPO, Nairobi*** *au kutumwa kwa anwani ya posta, ili ifikie* ***M/S. Image Registrars Limited****, kabla ya tarehe 12 Juni 2019 saa tano kamili asubuhi.*

2. *Mwanachama yeyote anaweza kwa kutumia notisi iliyotiwa sahihi naye mwenyewe na kuwasilisha kwa Katibu wa Shirika kupitia kwa anwani iliyo hapo juu, katika muda usiopungua siku saba (7) na usiozidi siku ishirini na moja kabla ya siku iliyoteuliwa kwa ajili ya Mkutano Mkuu wa Mwaka, kujulisha kwa njia ya notisi dhamira yake ya kupendekeza mtu yeyote kuchaguliwa kwenye Bodi, na notisi ya aina hiyo sharti iandamane na notisi iliyotiwa sahihi na mtu aliyependekezwa kuonyesha nia yake ya kuchaguliwa. Sio lazima mtu aliyependekezwa awe mwanachama wa Shiriki hili.*

3. *Nakala kamilifu za Memoranda pamoja na Kanuni za Kiushirika za Shirika zinapatikana kwa ajili ya ukaguzi kwenye wavuti wa Shirika hili (www.kenyare.co.ke) na pia katika Afisi Zilizosajiliwa za Shirika hili – Orofa ya 15, Jumba la Reinsurance Plaza, barabara ya Taifa Road, Nairobi.*

BOARD OF DIRECTORS

Left to Right:
David Kibet Kemei | Board Chairman
Anthony Muthama Munyao | Director
Chiboli Induli Shakaba | Director
Everest Matolo Lenjo | Director
Felistas Seenoi Ng'atuny | Director

BOARD OF DIRECTORS

Left to Right:
Felix Owaga Okatch | Director
Jennifer Kabura Karina | Director
Maina Mukoma | Director
Jadiah Murungi Mwarania | MD
Protus Cheruiyot Sigei | Alternate Director
Zipporah Mogaka Kinanga | Director

BOARD MEMBERS

DAVID KIBET KEMEI, 54
Chairman, Independent and Non-Executive Director

Mr. Kemei holds a Bachelor of Commerce Degree in Accounting and a Masters 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, 54
Managing Director

Mr. Mwarania is the Managing Director of the Corporation. He has worked with the Corporation for over 25 years and was previously the General Manager (Reinsurance Operations) and Acting Managing Director. He holds a Bachelor of Commerce (B.com.) (Hons.) and Master of Business Administration (MBA) degrees from The University of Nairobi. He is a Fellow of the Chartered Insurance Institute of London (FCII), and the Insurance Institute of Kenya (FIIK). He is currently pursuing a PHD in strategic management at the University of Nairobi. Mr. Mwarania is a Chartered Insurer (CI) of the Insurance Institute of London, the highest and the most prestigious level of professional achievement with the Institute, and a Fellow of the Kenya Institute of Management (AMKIM).
He is also a member of the Board of Directors of Industrial Development Bank (IDB),Zep Re (PTA Reinsurance Company) and the Chairman Executive Committee (EXCO) of the Association of Kenya Reinsurers (AKR). He is a Board Member of the Insurance Training and Education Trust (ITET) Board and member of the Finance and Development Board Committee of the College of Insurance of Kenya. Mr. Mwarania is a holder of the Order of Grand Warrior Award (OGW).

HENRY ROTICH
Cabinet Secretary, National Treasury and Non-Executive Director

Mr. 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 MGHENDI LENJO, 68
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, 68
Non Executive Director

Felix O. Okatch is a DBA (Doctor of Business Administration) student, research stage, at Catholic University of Eastern Africa. He holds an MBA from Assam Don Bosco University and B.Comm (Hons) from University of Nairobi. Currently he is the Chairman at the Association of Professional Societies in East Africa (APSEA), serves as a council member at Karatina University and a board member at Outward Bound Trust Kenya (OBTK). He is also a member of Institute of Directors (IOD), Kenya Chapter. He has published many articles on corporate governance and finance. His latest book on marketing is "Marketing Management, Integrated Perspectives," (2017) published by Kenya Literature Bureau. He is a multilateral trade expert and has travelled widely in Africa, Western Europe and South East Asia.

MAINA MUKOMA, 62
Independent and 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), Chartered Insurer of the Insurance Institute of London, UK (CI), 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. Mr. Mukoma is a trustee of the Insurance Training and Education Trust (ITET), a Director of Global Re Brokers Ltd and the Kenya country representative in the Organisation of Eastern and Southern Africa Insurers (OESAI). Mr. Mukoma serves at the Chairman of the Risk and Compliance Committee of the Kenya Re Board.

CHIBOLI INDULI SHAKABA, 62
Independent and 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 1986. He thereafter served in various ministries of the Central Government raising to the level of Permanent Secretary. 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, 61
Independent and 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. A Certified Professional Coach – Institute of Professional Excellence in Coaching UK, she is currently pursuing a PhD in Educational Psychology at Kenyatta University. Mrs. Karina started her career in Dawa Pharmaceuticals Limited in 1977, then moved to Ljubljanska Bank East Africa Representative Office as Manager-Operations in 1982 where she worked for 17 years. She served as a director at Narika Company Limited between 1998-2012. Between 2005 -2014 she was the Managing Director of Anchor Consult. Currently she is a Director of Anchor Network and the Chief Commissioner of the Kenya Girl Guides Association a position she has held since 2013.

FELISTAS SEENOI NG'ATUNY, 54
Independent and 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.
Mrs. Ngatuny serves at the Chairman of the Human Resources and Nomination Committee of the Kenya Re Board.

ANTHONY MUTHAMA MUNYAO, 51

Independent and Non Executive Director

Mr. Munyao holds a Bachelor of Arts degree from Kenyatta University, an MBA from the University of Nairobi and is a Certified Public Accountant (CPA (K)). Mr. Munyao worked with Ernst & Young from 1991 to 1997 when he moved to Agip (K) Ltd 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. Mr. Munyao is the founder and managing director of Victorion Limited. He is currently the Chairman of Vivo Energy Provident Trust Limited.
Mr. Munyao serves at the Chairman of the Audit Committee of the Kenya Re Board.

ZIPPORAH KINANGA MOGAKA, 59

Independent and Non Executive Director

Mrs. Mogaka holds a Bachelor's degree in Law and Master's degree 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.
Mrs. Mogaka serves at the Chairman of the Finance and Strategy Committee of the Kenya Re Baord.

PROTUS CHERUIYOT SIGEI, 53

Alternate to the Cabinet Secretary,
National Treasury - Non-Executive Director

Mr.Sigei has built his career largely within the public sector in Kenya. He holds a B.A (Hons) degree in Economics (with Mathematics) from the University of Nairobi and a Master of Science from the University of York, U.K. He is also an alumnus of Queen's University, Canada (Program on Investment Appraisal and Risk Analysis), and INSEAD (Competitive Strategy). He has served in the boards of directors of several entities, during which he has served in various board committees, and chaired the HR and Credit Committees.
He was one of the pioneer seven (7) individuals selected by the Government of Kenya in 2004 to be trained, at the Boston Institute for Developing Economies, as trainers in Performance Contracting; subsequent to which he helped introduce and roll out performance contracting in Kenya's public service. He is a member of the Society for Benefit-Cost Analysis, a professional society of academics and practitioners, headquartered at the University of Washington at Seattle, USA. He is also a Member of the Australian Institute of Company Directors.

MANAGEMENT TEAM

JADIAH MWARANIA
Managing Director

Mr. Mwarania is the Managing Director of the Corporation. He has worked with the Corporation for over 25 years and was previously the General Manager (Reinsurance Operations) and Acting Managing Director. He holds a Bachelor of Commerce (B.com.) (Hons.) and Master of Business Administration (MBA) degrees from The University of Nairobi. He is a Fellow of the Chartered Insurance Institute of London (FCII), and the Insurance Institute of Kenya (FIIK). He is currently pursuing a PHD in strategic management at the University of Nairobi. Mr. Mwarania is a Chartered Insurer (CI) of the Insurance Institute of London, the highest and the most prestigious level of professional achievement with the Institute, and a Fellow of the Kenya Institute of Management (AMKIM). He is also a member of the Board of Directors of Industrial Development Bank (IDB),Zep Re (PTA Reinsurance Company) and the Chairman Executive Committee (EXCO) of the Association of Kenya Reinsurers (AKR). He is a Board Member of the Insurance Training and Education Trust (ITET) Board and member of the Finance and Development Board Committee of the College of Insurance of Kenya. Mr. Mwarania is a holder of the Order of Grand Warrior Award (OGW).

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. Mr. Mbeshi holds a Bachelor of Arts (Land Economics) from the University of Nairobi. He is a full member of the Institute of Surveyors of Kenya and the Kenya Institute Management. He is a holder of MBA from ESAMI (East and Southern Africa Management Institute). Prior to joining Kenya Re Mr. Mbeshi had worked as an Urban Valuer with the Ministry of Lands. He is a Board Member of IDB Capital Ltd. He also serves as the Chairman of the Investment Committee of IDB. He is a member of the Board of Trustees of KENYA Re Pension Scheme and an associate member of the Institute of Directors. He has over 25 years working experience.

BETH S. NYAGA
General Manager (Reinsurance)

Beth S. Nyaga is the General Manager, Reinsurance Operations. She joined the Corporation several years ago as a Management trainee. She rose through the ranks to the current position which she has been holding since 2010. She has a wide range of experience in insurance and reinsurance related fields. She also spearheads the arrangement of retrocession protection for the Corporation. During her career she has contributed immensely to capacity development through reinsurance/insurance related technical seminars in Kenya and outside. She holds a Bachelor of Commerce (B.COM) (HONS.) degree from the University of Nairobi and as well as a Master of Business Administration (MBA) degree from the East and Southern Africa Management Institute. She is Fellow and an Associate of the Chartered Insurance Institute of London (FCII & ACII) and the Insurance Institute of Kenya (IIK). She is also a Chartered Insurer.

JACQUELINE 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 nine (29) years of working experience twenty four (24) 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). She is a Certified Securities Investments Analyst part 2 finalist (CSIA 2) and also holds a 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 15 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.

SELEMAN W. TEMBO
General Manager (Southern Africa)

Seleman W. Tembo joined the Corporation on 4th December 2015 as General Manager for the Southern Africa subsidiary located in Lusaka, Zambia. He has 17 years of experience in the Insurance and Reinsurance industry. Before joining Kenya Re, He spent over 14 years in the Insurance sector rising through the ranks from Graduate trainee to Assistant Director Reinsurance for one of the biggest Insurers in Zambia. He holds a Bachelor of Engineering degree from the University of Zambia. He is a Fellow of the chartered Insurance Institute (FCII) and the Insurance Institute of Zambia (FIIZA). He has an Advanced Diploma in Chartered Institute of Management Accounts (CIMA Adv. Dip) as well as a Master of Business Administration (MBA) degree from ESAMI.

ARTHUR F. LEVRY
General Manager (West Africa)

Arthur F. Levry joined the Corporation on 15th July 2010, as General Manager, at the West Africa Office branch opening. He has a total of 30 years of experience in Insurance and Reinsurance industry. Before joining Kenya Re, He spent 22 years in Insurance sector, as successively Claims officer, underwriter, then Deputy General Manager, seconded in Burkina Faso, Togo and Madagascar, to implement and grow subsidiaries, for the a major group of insurance, based in West Africa. He holds a Bachelor of Insurance from the Institute of Technical Studies (Inset), and a Bachelor of Law, both from Abidjan University. He also has a Master of Business Administration, from the Institute of Business Administration of Poitiers, in France.

MANAGEMENT


Jadiah Mwarania
Managing Director


Michael J. Mbeshi
General Manager
(Property & Administration)


Beth Nyaga
General Manager
Reinsurance Operations


Jacqueline Njui
General Manager Finance and Investments


Arthur Levry
General Manager (West Africa)


Seleman Tembo
General Manager
(Southern Africa)


Charles Kariuki
Corporation Secretary


Judy Njuguna
Manager Records and Archives Department


Nicodemus Gekone
Manager Investments Department


Peter Angwenyi
Manager Marketing Business Development


Elizabeth Omondi
Manager Local Business


George Njuguna
Manager ICT


Gladyce Musyoki
Manager Supply Chain


Martin Mati
Manager Research and Development

MANAGEMENT


Sally Waigumo
Manager Human Resources


Sammy Kaaria
Manager Risk and Compliance


Samson Mudogo
Manager Credit Control


Alice Mbutu
Manager Claims


Consolata Kihara
Manager Administration


Jane Odipo
Manager International Business


Johnson Ireri
Chief Accountant


Teresia Kenga
Manager Life Business


John Rika
Manager Property


Charles Abebe
ISO Quality Management Representative


Hillary Wachinga
Manager Internal Audit


Philip Sanda
Manager Actuarial


Sylvia Karimi
Ag. Manager Corporate Affairs

Chairman's Overview

FOREWORD

A review of global economic indicators suggests that global economic growth was expected to have grown by 3% by end of 2018, a decline from 3.1 per cent in 2017.

The global non-life insurance sector is currently at a weak phase of the profitability cycle. Sector profitability declined in 2017, with return on equity (ROE) slipping to 6% from 7% in 2016, well below the roughly 9% achieved annually between 2013 and 2015.

The expansion of total direct insurance premiums cooled to 1.5% in real terms in 2018, (2017: 2.2%). Both the non-life and life sector slowed, but falling life premiums in advanced markets were the main cause of drag on overall global premium growth. While the life segment among advanced markets continues to underperform since the financial crisis, the non-life segment is following the recovery of the overall economy quite closely. This, amongst other impediments, consequently had an impact on our financial performance as our profits dipped.

BUSINESS ENVIRONMENT

Both the local and international markets experienced major challenges including mispricing of risks, domestication in our markets, forex losses and intense competition in 2018. All these contributed to a decline in the company's revenues. The capping of interest rates introduced in the banking sector in 2016 has continued to have a spiral effect on the insurance industry beyond 2018. The consequent slowdown in lending by banks has reduced investment in insurable projects and assets. The industry also experienced mergers and acquisitions of insurance companies by global players leading to increased capacities of the companies. The adverse effect of this activity is reduction in reinsurance premium.

The setting up of national reinsurance companies in Uganda, Tanzania and Ethiopia also led to a decline in our market share. Our business faced regulatory challenges especially in countries that require insurance companies to re-insure a certain percentage of business with the local reinsurers. Hence, there is the need for maintaining risk based capitalization in those particular markets forcing companies like us to maintain the pay out in order to maintain the required capitalization.

In response to the above factors, the Corporation put in place sustainable plans of action premised on our strategic plan. We also believe that our core values of learning and innovation, integrity, service culture, teamwork, objectivity and good corporate citizenship shall guide us through. These values remain at the nerve center of our strategy going forward. Our stakeholders can, therefore, look forward to the future with confidence.

FINANCIAL PERFORMANCE

Kenya Re recorded a 32% drop in pre-tax profit, to record Kshs. 3.104 billion profit before tax compared to Kshs. 4.558 billion the year 2017. Profit after tax declined by 36% from Kshs. 3.577 billion to Kshs. 2.278 billion.

The asset base grew by 4% to stand at Kshs. 44.371 in 2018 compared to Kshs. 42.732 billion in 2017. On the other hand, the shareholders' funds went up from Kshs. 27.205 billion in 2017 to Kshs. 28.373 billion in December 2018, a of 4% growth.

Non-life premium constituted 87.5% of the total GPW or Kshs. 13.2 billion. Life premium constituted 12.5% of the total GPW or Kshs. 1.9 billion.

Life business grew by 16.6% in 2018 over 2017 to reach Kshs. 1,9billion. On the other hand, non-life grew marginally (by 0.03%) from Kshs. 12,933 million in 2017 to Kshs. 13,196 million in 2018.

STRATEGIC FOCUS

We have aligned our strategic-focused initiatives to all core areas of our operations within the business. We believe that these initiatives are fundamental in realization of improved future financial performance.

Our strategic plan remains a key reference blueprint for the Corporation in the path of implementation of our turnaround strategies and strategic focused initiatives. . We have put in place strategies to take advantage of opportunities in the markets we operate in. We firmly believe that implementation of the strategy will enable the corporation increase its financial strength and yield targeted profits in the coming years.

Our focus will be on the profitable markets and business segments. The Re-Takaful business line continues to be strengthened for sustained growth. We shall also continue to enhance engagements with our local and well as the international market in order to spur growth coupled with improved customer experience.

SUSTAINABILITY REPORTING AREAS OF FOCUS

Our sustainability is anchored on our vision, statement of purpose and core values which determine the strategic objectives of the Corporation. Our role and aim is to create value for shareholders and the society. This is through tax remittance, dividend payment to shareholders, corporate social responsibility, socio-economic empowerment of marginalized groups, environmental conservation and energy management. The board and management ensures that all operations of the Corporation are anchored on tenets of integrity, fairness and good corporate governance. Various policies have been established by the board as a guiding framework and oversight of the Corporation operations.

CORPORATE SOCIAL RESPONSIBILITY

We are committed to making sustainable corporate social investments aimed at creating shared value between ourselves and our society.

Our flagship CSR project – Niko Fiti ability beyond disability initiative continues to empower Persons Living with Disability in Kenya. The initiative has touched the lives of over 8,300 Persons Living with Disability since the year 2011 through provision of mobility and assistive devices. The goals of this initiative are total eradication of the acute stigma associated with Persons Living with Disability and empowering persons living with disability to be equal players in contributing towards nation-building activities.

In 2018, we made improvements on our- CSR initiative – Niko Fiti and partnered with the Kenya Institute of Special Education (KISE) to adopt a block in their new state of the art Psycho Education National Assessment and Rehabilitation Centre in Kasarani that will cater for persons with physical disabilities. The block hosts a hydro-therapy pool, a rehabilitation gymnasium and treatment rooms complete with observation/learning rooms.

This will be the Niko Fiti legacy project that will see thousands of persons living with disabilities benefit from the services offered by the center. We are extremely proud to support such as project as it makes a huge and significant contribution towards attainment of the Big Four agenda under the pillar of universal health coverage.

The Centre is expected to be launched by His Excellency the President of the Republic of Kenya, later in the year 2019.

APPRECIATION

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

I convey my appreciation to my colleagues on the Board for board for their indispensable contribution, unwavering dedication and steadfast commitment in providing prudent governance, direction and leadership to the Corporation.

I am grateful to our valued customers and investors for their sustained consistent support to the company in many ways.
On behalf of Kenya Re directors and over 100 industrious, competent and committed Kenya Re employees, I assure you of our total dedication and tireless efforts towards the objective of maximizing returns for all stakeholders.

THANK YOU AND MAY GOD BLESS YOU.

Taarifa ya Mwenyekiti

DIBAJI
Uchanganuzi wa viashiria vya kiuchumi ulimwenguni umeonyesha kuwa ukuaji wa kiuchumi duniani ulitarajiwa kufikia asilimia 3 kufikia mwisho wa mwaka 2018, huku ukishuka kutoka asilimia 3.1 katika mwaka 2017.

Sekta isiyokuwa ya bima ya maisha ulimwenguni kwa sasa iko katika awamu dhaifu zaidi tunaporejelea suala la faida. Faida katika sekta hii ilishuka mnamo 2017, ambapo pato kutokana na hisa (ROE) liliporomoka hadi asilimia 6 kutoka kwa asilimia 7 katika mwaka wa 2016, chini ya takribani ya asilimia 9 iliyopatikana kati ya mwaka 2013 na 2015.

Upanuzi wa jumla wa mapato ya moja kwa moja ya bima ulidorora kwa asilimia 1.5 katika hali halisi mwaka wa 2018, (2017: asilimia 2.2). Sekta za bima ya maisha na isiyokuwa ya maisha zilipungua kasi ya ukuaji, lakini kuporomoka kwa mapato ya bima za mataifa katika masoko yaliyostawi kulikuwa sababu kuu za kujikokota kwa ukuaji wa mapato ya bima duniani kwa jumla. Huku kitengo cha bima ya maisha katika masoko yaliyostawi kikiendelea kuandikisha matokeo duni tangu kutokea kwa mtikisiko wa kifedha duniani, kitengo cha bima isiyokuwa ya maisha kinaendelea kujinyanyua kwenye viwango vya uchumi kwa jumla.

Hiki, kati ya vizingiti vinginevyo, kilikuwa na athari kwa matokeo yetu ya kifedha kwani faida yetu ilipungua.

MAZINGIRA YA KIBIASHARA
Masoko ya kitaifa na kimataifa yalishuhudia changamoto kuu ikiwemo hatari ya makadirio mabaya ya bei, kujikita vyema kibiashara katika masoko yetu, hasara zinazotokana na ubadilishanaji pesa na ushindani mkali katika mwaka wa 2018. Haya yote yalichangia katika kushuka kwa mapato ya kampuni. Kuwekwa kwa viwango vya riba kulikoanzishwa katika sekta ya benki mnamo 2016 kulizidisha kusambaa kwa athari kwenye sekta ya bima zaidi ya mwaka wa 2018. Matokeo ya kupunguzwa kwa ukopeshaji wa benki yamepunguza uwekezaji katika miradi na mali inayoweza kuchukuliwa bima. Sekta hii, kadhalika ilishuhudia kuungana na kununuliwa kwa kampuni za bima na wawekezaji wa kimataifa na hivyo kuzidisha uwezo wa kampuni hizi. Matokeo mabaya ya hatua hiyo ni kupungua kwa mapato ya bima kuu. Kubuniwa kwa bima kuu ya kitaifa nchini Uganda, Tanzania na Ethiopia pia kulichangia katika kupungua kwa mgao wetu sokoni.

Biashara yetu ilikumbana na changamoto za kisheria hasa katika nchi zinazohitaji kampuni za bima kuchukua bima-kubwa, asilimia fulani ya biashara husika, kutoka kwa kampuni za bima kuu za nchi husika. Kwa hivyo, pana haja ya kudumisha mtaji wa kufidia matukio hatari katika masoko hayo na hivyo kulazimisha kampuni kama yetu kuendeleza malipo hayo ili kudumisha mtaji unaohitajika.

Katika kutimiza hayo yaliyotajwa hapo juu, Shirika hili lilibuni mipango endelevu ya kikazi kulingana na mkakati wetu maalum. Pia tunaamini kuwa thamani zetu kuu - kujifunza na kubuni, maadili, utamaduni wa kikazi, ushirikiano kikazi, usawa na utimizaji wa jukumu letu kwa jamii kama shirika, zitatuongoza. Thamani hizi zinabakia kuwa mhimili mkuu wa mkakati wetu tunapoendelea kuhudumu. Kwa hivyo, wadau wetu wanaweza kutarajia siku njema zijazo kwa matumaini makuu.

MATOKEO YA KIFEDHA

Kenya Re ilisajili asilimia 32 ya kupungua kwa faida yake kabla ya kutozwa ushuru, ambapo ilipata faida ya Ksh3.104 bilioni kabla ya ushuru ikilinganishwa na Ksh4.558 bilioni katika mwaka wa 2017. Faida baada ya ushuru ilishuka kwa asilimia 36 kutoka kwa Ksh3.577 bilioni hadi Ksh2.278 bilioni.

Kiwango cha mali kilikua kwa asilimia 4 hadi kufika Ksh44.371 bilioni katika mwaka wa 2018 ikilinganishwa na Ksh42.732 bilioni katika mwaka wa 2017. Katika upande mwingine, fedha za wenye-hisa ziliongezeka kutoka Ksh27.205 bilioni mnamo 2017 hadi Ksh28.373 bilioni kufikia Desemba 2018, asilimia 4 ya ukuaji.

Mapato ya bima isiyokuwa ya maisha yalichangia asilimia 87.5 ya jumla ya GPW au Ksh13.2 bilioni. Malipo ya bima ya maisha yalichangia asilimia 12.5 ya jumla ya GPW au Ksh1.9 bilioni.

Biashara ya bima ya maisha ilikua kwa asilimia 16.6 katika mwaka wa 2018 ikilinganishwa na 2017 na kufikia Ksh1.9 bilioni. Kwa upande mwingine, bima isiyokuwa ya maisha ilikua kidogo (asilimia 0.03) kutoka Ksh12,933 milioni katika mwaka wa 2017 hadi Ksh13,196 milioni mnamo 2018.

MUELEKEO WA KIMKAKATI

Tumewianisha juhudi muhimu za kuzingatia na vitengo vyote muhimu vya biashara yetu. Tunaamini kwamba juhudi hizi ni muhimu katika kupata matokeo bora katika siku zijazo.

Mkakati wetu mkuu unabakia kuwa kielelezo kikuu kwa Shirika kwenye safari yetu ya kutekeleza mkakati wa kuboresha hali na juhudi zinazozingatiwa kwa dhati. Tumebuni mikakati ya kutumia vyema nafasi zilizo katika masoko tunayohudumu. Tunaamini kwa dhati kuwa utekelezaji wa mkakati huu utawezesha shirika hili kuongeza uwezo wake wa kifedha na kuzaa faida kusudiwa katika miaka ijayo.

Mazingatio yetu yatakuwa kwa masoko yenye faida na vitengo vya kibiashara. Biashara ya Re-Takaful inaendelea kuimarishwa kwa ajili ya ukuaji endelevu. Pia tutaendelea kukuza uhusiano wetu na masoko ya kitaifa na kimataifa kwa dhamira ya kuzidisha ukuaji kwa pamoja na huduma bora kwa wateja.

MAMBO YA KUZINGATIA KATIKA RIPOTI ENDELEVU

Uendelevu wetu umejikita kwenye maono yetu, kauli ya dhamira na thamani kuu ambazo zinaamua malengo maalum ya Shirika. Jukumu na lengo letu ni kuwaundia thamani wadau wetu na jamii. Hii ni kupitia kwa kulipa ushuru, kuwalipa wenyehisa mgao, kutekeleza jukumu la shirika kwa jamii, upeaji nguvu makundi yaliyotengwa, uhifadhi wa mazingira na usimamizi mzuri wa kawi. Bodi na viongozi wake wanahakikisha kuwa shughuli zote za shirika zimejikita kwenye nguzo za uadilifu, usawa na usimamizi mzuri wa shirika. Sera kadhaa zimebuniwa na bodi kama muongozo-elekezi na mfuatiliaji wa shughuli za Shirika hili.

MAJUKUMU YA SHIRIKA KWA JAMII

Tumejitolea katika uwekezaji endelevu wa shirika kwa jamii kwa dhamira ya kushiriki thamani zetu za pamoja baina yetu na jamii yetu.

Mradi wetu mkuu wa jukumu la shirika kwa jamii (CSR) – Niko Fiti ability beyond disability unaendelea kuwafaa Watu Wenye Mapungufu Kimaumbile nchini Kenya. Mradi huu umegusa maisha ya zaidi ya watu 8,300 Wenye Mapungufu ya Kimaumbile tangu mwaka 2011 kupitia kwa kuwapa vifaa vya kutembelea na vya kimsaada. Malengo ya mradi huu ni kumaliza kabisa unyanyapaa wa hali ya juu unaohusishwa na Walemavu na kuwapa uwezo wanaoishi na mapungufu hayo ili nao wawe sawa na watu wengine katika kuchangia kwenye shughuli za ustawi wa nchi.

Mnamo 2018, tuliimarisha shughuli zetu za CSR – Niko Fiti na tukashirikiana na Taasisi ya Elimu ya Walemavu nchini Kenya (KISE) kwa kusudi la kudhamini jumba katika Kituo chao kipya cha Tathmini ya Kitaifa ya Elimu Nafsia katika eneo la Kasarani ambalo litahudumia watu wenye mapungufu hayo. Jumba hilo lina bwawa la tiba ya maji, jumba la mazoezi ya viungo yenye tiba ya kurekebisha na vyumba vya matibabu pamoja na vyumba vya kufuatilia/kujifunza.

Huu utakuwa mradi wa kumbukumbu wa Niko Fiti ambao utasaidia maelefu ya watu wenye mapungufu ya kimaumbile kunufaika kutokana na huduma zinazotolewa na kituo hicho. Tunaona fahari kubwa kudhamini mradi kama huo kwani unatoa mchango mkubwa na wa maana katika kutimiza Maazimio Manne Makuu ya serikali ya Kenya chini ya nguzo ya Mpango wa Afya kwa Wote.

Kituo hiki kinatarajiwa kuzinduliwa na Mheshimiwa Rais wa Jamhuri ya Kenya, baadaye mwaka wa 2019.

SHUKRANI

Ninaitwaa fursa hii kutoa shukrani zangu za dhati kwa Serikali ya Kenya, wenyehisa wetu, mamlaka zote pamoja na mashirika ambayo yanatoa usaidizi wa maana kwa Kenya Re, kwa msaada na maelekezo yao yasiyokatika.

Kadhalika, shukrani zangu ziwaendee wenzangu kwenye Bodi kwa mchango wao usiopuuzika, kujitolea na kujituma kwao kusikokatika na kwa usimamizi wao muhimu, maelekezo yao na uongozi wao kwa Shirika.

Ninawashukuru wateja wetu wapendwa pamoja na wawekezaji kwa msaada wao wa kila mara kwa kampuni yetu.

Kwa niaba ya Wakurugenzi Wakuu wa Kenya Re, ningependa kutoa shukrani zangu kwa wafanyakazi wa Kenya Re kwa bidii zao, uhodari na kujitolea kwao. Bidii zenu kwa jumla pamoja na juhudi zisizokatika katika kufanikisha lengo la kuleta mapato zaidi kwa wadau wetu, zinatambuliwa kwa moyo wa shukrani.

ASANTENI SANA NA MUNGU AWABARIKI NYOTE.

Managing Director's Statement

PERFORMANCE

It gives me exceptional delight to present the Corporation's Annual Report and Group Financial Statements for year ended 31st December 2018.

As a key reinsurer in Africa, the Corporation has continuously put in place sustainable strategies to drive its growth with the objective of enhancing its shareholders value and place itself in the category of the best performing reinsurers not only in Africa but globally.

In 2018, we encountered a number of challenges in both the reinsurance business environment and the investment business environment. These challenges ranged from increased competition, premium undercutting, domestication of reinsurance business in some of our key markets, setting up of national reinsurers entitled to compulsory treaty and policy cessions in some of our markets, higher retentions of business by the ceding companies, changing reinsurance treaty structures generally towards excess of loss as opposed to proportional treaties and devaluation of currency in some of our markets.

On the investment business environment the capping of interest rates led to conservative performance of the fixed income instruments and the flight to safety by the foreign investors as the FED rate kept raising over the entire period. The sustained bear run at the Nairobi Securities Exchange (NSE) saw many counters revaluing downwards thus negatively impacting the equities fair value adjustments and capital gains. Returns from our associate investment in Zep Re were much lower than expected which negatively impacted year 2018 profitability. Real estate market on the other hand experienced lower than expected upward revaluation which also affected the Corporation's profitability.

Despite the aforementioned challenges, the Corporation is upbeat that there will be good performance going forward because of the robust strategies in place which are anchored on our five strategic pillars namely financial performance, business development, business process, enhanced risk management as well as people and culture.

FINANCIAL PERFORMANCE

We are pleased to announce positive results for the financial year 2018 despite the very competitive and challenging business environment. The profit before tax was Kshs. 3.101 billion.

The Gross premiums written grew from Kshs. 14.827 billion in 2017 to Kshs.14.838 billion in 2018. The net earned premiums grew from Kshs. 13.680 billion in 2017 to Kshs. 14.206 billion in 2018, which is a 4% increase. This was driven by increased focus on retakaful business segment, strengthened cedant and intermediary relationships, market identification and segmentation, diversification of business portfolio in chosen markets, effective and timely response to changing customer needs and prudent underwriting and business acceptance among other drivers.

The investment income grew by 7% to stand at Kshs. 3.386 billion in 2018 compared to Kshs. 3.166 billion in 2017. This performance was driven by among other factors, timely market intelligence on quoted equity instruments for prompt realization of capital gains, real time diversification on government securities with competitive coupons, strategic exposure to companies with high dividend payout and high rental occupancy rates in our commercial buildings due to superior customer service levels towards tenants.

FINANCIAL POSITION

The asset base grew by 4% to stand at Kshs. 44.371 in 2018 compared to Kshs. 42.732 billion in 2017. On the other hand, the shareholders' funds went up from Kshs. 27.205 billion in 2017 to Kshs 28.373 billion in December 2018, a 4% increase.

The investment asset portfolio grew to Kshs 37.1 billion in 2018 from Kshs 35 billion in 2017 which was a 6% growth. For year 2018 A.M Best rated the Corporation's Risk-adjusted capitalization, as measured by Best's Capital Adequacy Ratio (BCAR), as strongest.

MARKET AND PRODUCT DEVELOPMENT

In spite the operating environment being tough in 2018 the Corporation nonetheless increased both facultative and treaty reinsurance business portfolios. The Corporation pursued new reinsurance business in Africa, Middle East and Asia both directly and through intermediaries.

We undertook technical market trainings on various insurance and reinsurance subjects such as property, marine, medical, oil and gas, political risks, casualty, professional indemnity as well as individual and group life reinsurance in various countries. This was done in several countries including Kenya, Ethiopia, Zambia, Cote DÍvore, Tanzania and Uganda.

The Corporation enhanced focus on embedding the enterprise risk management framework in decision making and improvement in the analytical models for determination of catastrophic exposures in its chosen markets.

We undertook several initiatives to uplift performance in all areas of operations of the Corporation. Among these initiatives were aggressive marketing, reduced claims payment turnaround time, development of a framework for international office set up, completion of a feasibility study on Uganda country office set up, lobbying with the regulator and industry players on enforcement of cash and carry in respect of premium payment in Kenya, portfolio mix balancing between direct and intermediated business as well as class of business and geographical spread and partnerships in innovation and product development.

INVESTMENT IN TECHNOLOGY

Business process is a key pillar in the strategic vision of the Corporation. The use of technology is central as most operations of the Corporation.

On 1st March 2018 we commissioned a modern state of the art reinsurance management computer system (SICS) to serve life and non-life reinsurance business needs. The system was implemented over a period of two years. The acquisition of the new software was driven by the need for the Corporation to operate efficiently in rapidly changing and turbulent global reinsurance market environments. The adopted system has provided significant improvement on our processes.

In addition to SICS, during the year we also acquired the following ICT systems:

I. An actuarial software named "Prophet" that assists in actuarial work in life & non-life that includes reserving, pricing and capital modeling in line with international best practice.

II. A Governance Risk & Compliance (GRC) software that is expected to automated risk management operations and enhanced embedding of a suitable risk culture across the Corporation

III. A quantitative, qualitative and data visualization tools that improved internal analytical capability and feedback at the point of service analysis. This continues to contribute positively to sound decision making and inform the Corporation on areas that need service attention.

ISO CERTIFICATION

The Corporation underwent the process of upgrading from ISO standard 9001:2008 to ISO standard 9001:2015. The intention was to refocus the Corporation's quality management systems to the best global quality management systems and practices as per ISO certification. Prior to that we had consistently met all certification requirements to maintain the ISO standard 9001:2008 for all the years the Corporation was certified under that standard, including all the internal and external certification audit.

HUMAN CAPITAL

People and culture remain at the nerve center of the Corporation's operations which is the reason that it is one of the five strategic pillars in the Corporate Strategic Plan.

The Corporation embarked on a culture change journey in March 2018. The purpose of the culture change program was to move the Corporation towards a high performance culture and to enhance employee's productivity. Change champions across all the departments in the Corporation were trained to champion change initiatives in their departments.

Innovation is one of the Corporation's core values. In a bid to promote employees' creativity the Corporation set up an Innovation Committee that reviews and evaluates creative and innovative ideas developed by the employees. This has boosted the employee enthusiasm on innovations. The Corporation has a pool of competent and technically qualified employees with the right attitude, knowledge and skills that enables it achieve and exceed business objectives.

The Corporation continues to make impactful investment in the employees to build on their areas of expertise through individual and group training as well as proper skills alignment to job roles to enhance productivity. The Corporation's efforts to maintain, attract and retain employees was further augmented through well-knit culture-improvement mechanisms, team building initiatives as well as competitive compensation and benefits packages.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

In 2018, the Corporation remained committed to its corporate social responsibility (CSR) initiative, the "NIKO FITI - ability beyond disability campaign" that has so far benefitted more than 5300 persons living with disability since its inception in 2011. The Corporation's CSR policy sits well with operations. Every year, a percentage of the Corporation's annual net profits is dedicated to CSR activities.

The year 2018 was a significant one for the Corporation's CSR initiative. We embarked on a Niko Fiti Legacy Project in partnership with Kenya Institute of Special Education (KISE). We adopted a block of a building in the KISE state of the art Psycho Education and National Assessment Centre in Nairobi, Kenya. This block hosts a hydro-therapy pool, a rehabilitation gymnasium and treatment rooms complete with observation and learning rooms. We dubbed this project as the "legacy" project considering the unrivalled impact it will have in the lives of persons living with disability not only in Kenya but in the region and beyond for many years to come.

We remain committed to supporting such sustainable initiatives and projects that have a long-term impact of challenges and in society.

Environmental conservation is another CSR activity that Kenya Re undertook in 2018. To date the Corporation has planted more than 6000 trees at Kibiko Secondary School, in Ngong, Kajiado County.

THE FUTURE

We will continue with the implementation of our five year strategic plan with a view to achieving the set strategic objectives. We will exercise agility in strategy implementation taking cognizance of the expected changes in the internal and external operating environments. The current strategic plan covers years 2017 to 2021. We believes that the set strategic objectives will steer us to our desired corporate destination.
The first strategic objective is to attain sustainable and robust financial growth in order to grow stakeholder value. The key result areas under this objective include premium growth, investment income maximization, growth in shareholder funds, and efficient credit control management, and cost containment, return on shareholders' funds, financial reporting and investor relations.

The second objective is to maintain systems and processes that address business needs and stakeholders interests. The key results areas under this are improvements in process turnaround time, alignment of technology to business objectives, reviewing of operating procures, process standardization and customer experience.

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

The fourth 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 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 review.

The corporation has put in place turn around strategies that will improve overall performance in the future. Among others these strategies and initiatives include focused marketing, increasing risk appetite, product development, regional offices set ups and prudent investment decisions .

Going forward we will focus on conducive business interaction such as websites and online platforms. We will embrace emerging international trends such as International Accounting standard (IFRS) 17 and the pervasive acquisitions and mergers in the international insurance and reinsurance markets.

CONCLUSION

I most sincerely thank all the Corporations' stakeholders their continued business support and believing in the Corporation. I appreciate our shareholders for their trust and confidence in acquiring and keeping their stake in the Corporation. The Government of Kenya is a major shareholder. I thank our customers in full recognition that it is their business support that is the lifeline of the Corporation. My appreciation goes to the staff and management of the Corporation for their immense contribution to the achievement of the Kenya Re's corporate objectives.

Thanks you and May God bless you immeasurably.

JADIAH M. MWARANIA, OGW
MANAGING DIRECTOR

Taarifa ya Mkurugenzi Mkuu

MATOKEO

Nina furaha kuu kuwasilisha kwenu Ripoti na Taarifa za Kifedha za Shirika za Mwaka uliokamilika tarehe 31 Desemba 2018. Kama kampuni kuu ya bima hapa barani Afrika, Shirika hili limeendelea kubuni mikakati endelevu kwa dhamira ya kuzidisha ukuaji wake kwa lengo la kuimarisha thamani ya wenyehisa wetu na kujiweka katika kundi la kampuni za bima kuu zenye matokeo mazuri zaidi si tu barani Afrika bali duniani kote.

Katika mwaka wa 2018, tulipitia changamoto kadhaa katika mazingira ya biashara ya bima na mazingira ya biashara ya uwekezaji. Changamoto hizi zilijumuisha ongezeko la ushindani, kupunguzwa sana kwa kiwango cha malipo ya bima, utaifishaji wa biashara ya bima kuu katika baadhi ya masoko yetu makuu, kubuniwa kwa bima kuu za kitaifa zinazopewa uwezo wa kutoa bima kwa lazima, mbali na kusimamishwa kwa bima katika baadhi ya masoko yetu, ukwamiliaji wa sehemu kubwa ya biashara kwa kampuni zinazouza sehemu ya biashara, kubadilishwa kwa muundo wa miafaka ya bima kuu kiasi cha kukaribisha hasara badala ya miafaka yenye usawa, na kupunguzwa kwa thamani ya sarafu katika baadhi ya masoko yetu.

Kuhusiana na mazingira ya kibiashara ya uwekezaji, kuwekwa kwa viwango vya riba kulichangia katika kupatikana kwa matokeo yasiyoridhisha kuhusiana na njia za mapato zisizobadilika upesi na wawekezaji wa kigeni kukimbilia mbinu salama huku viwango vya mikopo ya kimataifa ya FED vikiendelea kupanda katika kipindi hicho kizima. Mkondo wa kushuka kwa thamani ya hisa katika Soko la Hisa la Nairobi (NSE), vitengo vingi vikipunguza thamani ya hisa na hivyo kuathiri vibaya urekebishaji sawa wa thamani ya hisa na mtaji. Mapato kutokana na mshirika wetu wa uwekezaji, Zep Re, yalikuwa chini sana kuliko ilivyotarajiwa, hali ambayo iliathiri vibaya faida ya mwaka wa 2018. Soko la makazi kwa upande mwingine lilishuhudia ongezeko la chini la thamani kuliko ilivyotarajiwa, hali iliyoathiri faida ya Shirika hili.

Licha ya changamoto hizo zilizotajwa, Shirika hili lina imani kuwa mara hii matokeo yatakuwa mazuri kutokana na mikakati madhubuti iliyowekwa ambayo inaegemea nguzo tano kuu ambazo ni matokeo mazuri ya kifedha, ustawishaji wa biashara, harakati ya biashara, usimamizi mzuri wa hatari sawasawa na watu na desturi.

MATOKEO YA KIFEDHA

Tunaona fahari kutangaza matokeo mazuri ya mwaka wa kifedha wa 2018 licha ya mazingira shindani na changamani zaidi ya kibiashara. Faida kabla ya ushuru ilifikia Ksh 3.101 bilioni.

Jumla ya malipo ya bima yalikua kutoka Ksh14.827 bilioni katika mwaka wa 2017 hadi Ksh14.838 bilioni katika mwaka wa 2018. Jumla ya mapato ya bima yaliyopatikana baada ya kuondoa gharama yalikua kutoka Ksh13.680 bilioni katika mwaka wa 2017 hadi Ksh14.206 bilioni katika mwaka wa 2018, ambalo ni ongezeko la asilimia 4. Hii ilichangiwa na uzingatiaji zaidi wa kitengo cha biashara ya retakaful, imariko la mahusiano ya kibiashara ya ununuzi na uwakilishaji, ugunduzi wa masoko na uwekaji vitengo vya kibiashara, upanuzi wa kiwango cha biashara katika masoko teule, uitikiaji wa haraka na kwa ubora wa mahitaji yanayobadilikabadilika ya wateja na ulipaji fidia na ukubalifu wa biashara kwa busara miongoni mwa vichocheo vingine.

Mapato ya uwekezaji yalikua kwa asilimia 7 na kufikia Ksh3.386 bilioni katika mwaka wa 2018 ukilinganisha na Ksh3.166 bilioni katika mwaka wa 2017. Matokeo haya yalichangiwa na mambo kadhaa yakiwemo uchunguzi wa soko kwa wakati ufaao kuhusiana na vifaa vya hisa zilizonukuliwa kwa dhamira ya kubainisha haraka faida ya mtaji, upanuzi wa haraka wa hisa/hati za dhamana za serikali zenye kuponi bora, ugunduzi mkali wa kampuni zenye malipo mazuri ya mgao na upangaji wa nyumba wenye ada nzuri katika majengo yetu ya kibiashara kutokana na viwango vya juu vya huduma zetu kwa wateja.

HALI YA KIFEDHA

Kiwango cha mali kilikua kwa asilimia 4 na hivyo kufikia Ksh. 44.371 bilioni ukilinganisha naKsh. 41.732 bilioni mnamo 2017. Kwa upande mwingine, fedha za wenyehisa ziliongezeka kutoka Ksh27.05 bilioni mnamo 2017 hadi Ksh28.373 bilioni kufikia Desemba 2018, hili likiwa ongezeko la asilimia 4.

Kiwango cha mali ya uwekezaji kilikua hadi Ksh37.1 bilioni katika Mwaka wa 2018 kutoka Ksh35 bilioni katika Mwaka wa 2017 ambayo ni asilimia 6 ya ukuaji. Shirika la AM Best lilikadiria mtaji wa shirika wa kukabiliana na hatari kama imara, jinsi lipimavyo shirika la kukadiria ngawira ya utoshelevu wa mtaji la Best's Capital Adequacy Ratio (BCAR).

SOKO NA USTAWISHAJI WA BIDHAA

Licha ya mazingira ya kibiashara kuwa magumu katika mwaka wa 2018, shirika hili hata hivyo, liliongeza kiwango cha biashara ya bima kuu ya vitengo na miafaka. Shirika hili liliandama biashara mpya mpya ya bima kuu barani Afrika, Mashariki ya Kati na Asia, haya yote ykifanywa kwa njia ya moja kwa moja au kupitia kwa wawakilishi.

Tulifanya mafunzo ya kiufundi ya masoko kuhusu mada mbalimbali za bima na bima kuu kama vile ardhi na nyumba/milki, bahari, matibabu, mafuta na gesi, athari za kisiasa, majeruhi, kujiondoa lawamani kitaalamu pamoja na bima kuu ya kibinafsi na makundi katika mataifa kadhaa. Hili lilifanyika katika mataifa kadhaa ikwemo Kenya, Ethiopia, Zambia Cote D'Ivoire, Tanzania na Uganda.

Shirika hili lilizidisha uzingativu wake kwa kukitisha muongozo wa ukabilianaji na hatari katika biashara kuhusiana na ufanyaji maamuzi na kuimarika katika mbinu za uchanganuzi wa kubaini hatari zilizopo katika masoko yake teule.

Tulichukua hatua kadhaa za kuinua utendakazi katika sekta zote za utendakazi wa Shirika hili. Miongoni mwa hatua hizi kulikuwa na uvumishaji wa dhati, kupungua kwa muda wa kulipa madai ya fidia, kubuni muongozo wa kujenga afisi katika mataifa ya kigeni, kukamilisha utafiti wa uwekezekano wa kufaulu kwa ujenzi wa afisi nchini Uganda, kushauriana na serikali na wadau katika sekta kuhusu utekelezaji wa kanuni ya uwekaji pesa na kuondoka kuhusiana na ulipaji wa malipo ya bima nchini Kenya, usawazishaji wa vitengo mseto baina ya biashara za moja kwa moja na za uwakilishaji pamoja na hadhi ya biashara na usambaaji kimaeneo na ushirikiano kibiashara katika suala la ubunifu na ustawishaji biashara.

UWEKEZAJI KATIKA TEKNOLOJIA

Harakati ya kibiashara ni nguzo kuu katika maazimio maalum ya Shirika. Matumizi ya teknolojia ni mhimili muhimu kwani shughuli nyingi za Shirika hutekelezwa nayo.

Mnamo tarehe 1 Machi tulizindua mfumo wa kisasa wa kompyuta wa usimamizi wa bima kuu (SICS) ili kuhudumia mahitaji ya biashara ya bima ya maisha na isiyokuwa ya maisha. Mfumo huo ulitekelezwa katika muda wa miaka miwili. Ununuzi wa program mpya ya zanatepe software ulishawishika na haja ya Shirika kufanya kazi vyema katika mazingira yanayobadilika kwa kasi na yaliyojaa ugumu ya bimaa kuu kimataifa. Mfumo huu ulionunuliwa umesababisha kuimarika kwa harakati zetu kwa kiwango cha kuridhisha.

Mbali na SICS, katika Mwaka huo pia tulinunua mifumo ifuatayo ya ICT (TEKNOHAMA):

i. Zanatepe ya kitakwimu inayoitwa 'Prophet' ambayo inasaidia katika shughuli za kitakwimu kuhusiana na bima ya maisha na isiyokuwa ya maisha ambazo zinajumuisha uhifadhi, uwekaji bei na urekebishaji mtaji kulingana na viwango vya kimataifa vya utendakazi bora.

ii. Zanatepe ya Hatari za kiusimamizi na Ufuataji kanuni (GRC) ambayo inatarajiwa kuotomatisha shughuli za usimamizi wa hatari na kuimarisha desturi ifaayo ya kukabili hatari kwenye shirika lote.

iii. Vifaa vya ubainishaji wa wingi-data na ubora-data ambavyo viliimarisha uwezo wa ndani wa uchanganuzi na upokeaji wa majibu katika suala la uchanganuzi wa huduma. Hii inaendelea kuchangia vyema katika ufanyaji wa maamuzi mazuri na kufahamisha Shirika hili kuhusu vitengo vinavyohitaji uzingativu wa huduma.

VIWANGO VYA UBORA VYA ISO

Shirika hili lilipitia harakati ya uimarishaji kutoka kwa kiwango cha ISO ya 9001:2008 hadi ISO 9001:2015. Lengo la hili lilikuwa kuzingatia upya kwenye mifumo bora ya usimamizi wa Shirika hadi kwa mifumo na utendakazi bora wa usimamizi kimataifa kulingana na uidhinishaji wa ISO.

Kabla ya hayo tulikuwa tumetimiza mahitaji yote ya uidhinishaji ili kudumisha kiwango cha ISO 9001:2008 katika miaka yote ambayo shirika hili lilikuwa limeidhinishwa chini ya kiwango hicho, ikiwemo kaguzi zote za uidhinishaji wa ndani na nje ya nchi.

WAFANYAKAZI

Wafanyakazi na desturi zimesalia kuwa msingi wa shughuli za Shirika na ndiyo sababu ni moja ya nguzo tano kuu katika Mkakati Mkuu wa Shirika.

Shirika lilianza shughuli ya kufanyia marekebisho ya desturi yake mnamo Machi 2018.

Lengo la shuhuli hiyo ni kuwa na Shirika lenye desturi inayokuza utendakazi wa hali ya juu ili kuimarisha uzalishaji wa wafanyakazi. Viongozi wa mabadiliko katika idara zote walipewa mafunzo ili kuwawezesha kutekeleza marekebisho hayo kwenye idara zao.

Uvumbuzi ni moja ya maadili ya kimsingi ya Shirika. Katika juhudi za kukuza ubunifu wa wafanyakazi, Shirika liliunda Kamati ya Uvumbuzi ili kuhakiki na kutathmini mapendekezo bunifu ya wafanyakazi. Hii imefanya wafanyakazi kuwa na hamu ya kuvumbua mambo.

Shirika hili lina wafanyakazi waliohitimu na wenye ujuzi na mwelekeo sawa, ufahamu na utaalamu wa kuwawezesha kufikia na kuzidisha malengo ya biashara.

Shirika hili linaendelea kuwekeza katika wafanyakazi ili kuimarisha utaalamu wao kupitia mafunzo kwa kila mfanyakazi ama katika makundi, sawa na kuainisha ujuzi na majukumu kwa lengo la kuimarisha uzalishaji. Juhudi za Shirika za kuvutia na kudumisha wafanyakazi zilipigwa jeki na mikakati ya kuimarisha utamaduni bora, miradi ya kukuza utangamano wa wafanyakazi na ulipaji mishahara na marupurupu bora.

JUKUMU LA SHIRIKA KWA JAMII

Mwaka wa 2018, Shirika hili liliendelea na wajibu wake wa kutekeleza Miradi ya Kuinua Jamii, mojawapo ikiwa kampeni ya "NIKO FITI – Uwezo zaidi ya ulemavu" ambayo imenufaisha watu walio na ulemavu zaidi ya 5,300 tangu kuzinduliwa mnamo 2011. Sera ya CSR inawiana vyema na shughuli za Shirika. Kila mwaka, kiwango fulani cha faida halisi ya kila mwaka ya Shirika huelekezwa katika miradi ya CSR.

Mwaka wa 2018 ulikuwa muhimu kwa miradi hii ya Shirika. Tulianzisha Mradi wa Kihistoria wa Niko Fiti kwa ushirikiano na Taasisi ya Elimu ya wenye Mapungufu ya Kimaumbile (Walemavu) Kenya (KISE).

Tulifanikiwa kupewa jengo katika jumba la kisasa la KISE la Elimu Nafsia na Kituo cha Kitaifa cha Kutathmini mjini Nairobi, Kenya. Jengo hili lina kidimbwi cha tiba ya kutumia maji, ukumbi wa mazoezi ya viungo na vyumba vya matibabu vyenye maeneo ya ukaguzi na mafunzo. Tuliita mradi huu wa "kihistoria" kwa kuzingatia matokeo yake ya kipekee kwa walemavu sio tu nchini Kenya lakini pia katika ukanda na zaidi kwa miaka mingi ijayo.

Tumejitolea kuendelea kufadhili miradi kama hiyo iliyo na matokeo ya kudumu kwa changamoto na jamii nzima.

Uhifadhi wa mazingira ni mradi mwingine wa CSR ambao Kenya Re ilitekeleza mwaka Wa 2018. Hadi sasa Shirika limepanda miti zaidi ya 6,000 katika shule ya sekondari ya Kibiko mjini Ngong, Kaunti ya Kajiado.

MUSTAKABALI

Tutaendelea kutekeleza mkakati wetu mkuu wa miaka mitano kwa nia ya kuafikia malengo makuu yaliyowekwa. Tutazingatia wepesi wa utekelezaji tukitilia maanani mabadiliko ibuka katika mazingira ya ndani na nje ya Shirika. Mkakati mkuu wa sasa unadumu kati ya 2017 hadi 2021. Tunaamini kwamba malengo makuu yaliyowekwa yatatuelekeza kuafikia maono tuliyokusudia kama Shirika.

Lengo kuu la kwanza ni kufikia ukuaji thabiti na kudumu wa kifedha ili kukuza thamani ya wadau. Vigezo muhimu chini ya lengo hili ni pamoja na ukuaji wa malipo ya bima, kufikia upeo wa kuwekeza mapato, ukuaji wa fedha za wadau, udhibiti bora wa madeni na gharama za matumizi, usimamizi bora wa faida inayotokana na uwekezaji wa fedha za wadau, utayarishaji wa ripoti za matumizi ya kifedha, na ukuzaji uhusiano na wawekezaji.

Lengo kuu la pili ni kudumisha mifumo na taratibu zinazofanikisha mahitaji ya biashara na maslahi ya wadau. Vigezo muhimu chini ya lengo hili ni kuimarisha muda wa utekelezaji mifumo, kuainisha teknolojia na malengo ya biashara, kutathmini upya shughuli za utendakazi, kusanifisha mifumo na kuimarisha uhusiano bora wa wateja.

Lengo kuu la tatu ni kukuza na kupanua bidhaa ili kudumisha biashara. Vigezo muhimu chini ya lengo hili ni kuimarisha ustawi wa biashara, utafiti na ufahamu wa soko, ukuaji wa mgao wa soko, wasifu wa biashara, utangazaji na hadhi ya biashara, matumizi ya data na taarifa za ujasusi kuhusu soko kufikia maamuzi mwafaka na kuimarisha mseto wa biashara.

Lengo kuu la nne ni kudumisha miradi thabiti ya kudhibiti hatari za kibiashara ili kuafikia malengo. Vigezo muhimu chini ya lengo hili ni udhibiti wa hatari kuu, ukuzaji wa mahusiano ya Shirika, ufuatiliaji na utathmini, udhibiti wa mifumo ya ndani na uhakiki wa mifumo ya kudhibiti mifumo ya ndani.

Lengo kuu tano na mwisho ni kukuza rasilimali za wafanyakazi na utamaduni ili kuandamana na matakwa ya utendakazi ya Shirika. Vigezo muhimu chini ya lengo hili ni upanuzi na utoaji wa nafasi sawa, utoaji mafunzo na ustawi wa wafanyakazi, mipango ya urithi na uendelezaji biashara, utendakazi kuambatana na kandarasi, na kutathmini upya mpangilio wa Shirika. Shirika limeweka mikakati ya kuleta mabadiliko kuimarisha utendakazi wa jumla siku za usoni.

Miongoni mwa miakati hii ni utangazaji wenye shabaha, kuzidisha uwezo wa kukabiliana na hatari, ustawi wa bidhaa, kufungua ofisi za kanda na kufaanya maamuzi ya busara kuhusu uwekezaji.

Tunapoendelea mbele tutaangazia zaidi mbinu za kukuza uhusiano wa kibiashara kama tovuti na mitandao ya kijamii. Tutakumbatia mifumo ibuka ya kimataifa kama vile International Accounting Standard (IFRS) 17, na ununuzi na uunganishaji wa biashara katika soko la kimataifa la bima kuu.

HITIMISHO

Ninawashukuru kwa dhati wadau wote wa Shirika kwa kuendelea kutuunga mkono na kuweka imani katika Shirika hili. Ninawashukuru wenyehisa wetu kwa imani yao kupitia ununuzi na kudumisha mgao wao wa hisa katika Shirika.

Serikali ya Kenya ni moja ya wenyehisa wakuu. Nashukuru wateja wetu nikitambua wazi kwamba ni kutokana na juhudi zao ambapo Shirika hili linadumisha. Shukrani zangu pia zielekezwe kwa wafanyakazi na maafisa wasimamizi wa Shirika kwa mchango wao mkubwa katika kutimiza malengo ya Kenya Re.

Shukran sana na Mwenye enzi Mungu awabariki.

JADIAH M. MWARANIA, OGW
MKURUGENZI MKUU

KENYA RE SUSTAINABILITY REPORT

Sustainability Reporting is the practice of measuring, disclosing and being accountable to internal and external stakeholders for organizational performance against specific economic, environmental, social and governance goals geared towards sustainable development using a globally accepted standard. The report provides a balanced and reasonable representation of the sustainability performance of the organization including both positive and negative contributions.

This report marks the initial step towards developing integrated annual report comprising of the traditional financial accounts but also information relevant to various stakeholders who are part of the Corporation's greater ecosystem. Integrated reporting means that we are able to access new markets, enhance our reputation, increase the probability of realizing strategic objectives, and enhances our regulatory compliance as well as access to capital from institutional investors and lenders.

Sustainability Focus Areas

Our sustainability is anchored on our vision, statement of purpose and core values which determine the strategic objectives of the Corporation. Our role is to ensure that our business and by extension our various stakeholders are able to grow in a sustainable manner and not in the short term.

Our aim is to create value for shareholders and the society alike and in order to achieve this, we focus on several key areas:

1. Economic-

- Kenya Re continues to contribute to the economy through the remittance of taxes as a corporate institution and payment of dividends to shareholders including the majority shareholder, the Government of Kenya and this contributes towards growing the economy.

2. Social-

- The Corporation has a Corporate Social Responsibility policy that guides its social contribution to the society in which it operates.
- The Niko Fiti Corporate Social Responsibility is a successful initiative by the Corporation that has been going on for seven years. Since its Inception, over 5,300 beneficiaries from across the country have been supported with mobility and assistive devices as well as financial literacy training. In 2018, the Corporation partnered with the Kenya Institute of Special Education (KISE) to adopt, brand and equip the biggest block in their new state of the art National Assessment and Research Centre in Kasarani. The block will consist of a hydrotherapy pool, a gymnasium and several treatment rooms which will be used for occupational therapy, speech therapy and physiotherapy. The centre, a first in Africa, will serve as the focal referral institute for assessments and research of Persons with Disabilities (PWDs) in Kenya and beyond. This is part of the legacy project that the Corporation through the Niko Fiti CSR initiative is proud to build and be associated with.
- Disability Access in buildings-
  Kenya Re's commercial properties have been modified to be disability friendly and allow for access for PWDs with minimal inconvenience.

3. Socio-Economic

- Tenders-
  Kenya Re awarded various tenders for special groups consisting of Women, Youth and People Living with Disability (PWDs). In addition, trainings were held for special groups in order to equip them with skills on how to successfully bid for tender opportunities with the Corporation. All tenders were published on the Corporation's website and the Public Procurement Information Portal (PPIP)

- Commercial Mortgages-
  Kenya Re provides commercial mortgages to the general public at a competitive interest rate. This contributes towards efforts to alleviate the housing shortage experienced in Kenya.

4. Environmental-

- With the current depletion of forest cover in Kenya, Kenya Re started a program in 2013 to plant tree seedlings as a mark of its contribution to the sustainability of the environment. Led by top management, Kenya Re set out to plant trees at Kibiko Secondary School in Ngong town, Kajiado County on 6th September 2017. The Staff together with the Kibiko Secondary School students and teachers planted 4,000 tree seedlings in 2017. So far, the Kenya Re tree planting program has seen the Corporation plant a total of 8,500 trees at Kibiko Secondary School since 2013. Kenya Re encourages schools and other institutions to make the most out of their grounds by planting trees as it helps to create woodland habitat, increase biodiversity, conserve the environment and most importantly provide an excellent learning resource.
- Renewable Energy- Reinsurance Plaza in Nairobi is installed with and utilizing solar energy harnessed during the daytime. In addition the entire building is fitted with energy saving bulbs to further significantly conserve energy. Similar installations are to be fitted in the other Corporation commercial properties.
- Water Conservation is achieved in all our commercial properties due to the installation of efficient delay action push taps that reduce the wastage of water significantly.

5. Governance-

- Governance structure
  The Corporation has adopted high standards and applies strict rules of conduct based on the best corporate practices. As part of this commitment, the Board adheres to good corporate governance by observing high standards of ethical and moral behavior; acting in the best interests of the organization; remunerating and promoting fairly and responsibly; recognizing the

legitimate interests of all stakeholders; and ensuring that the organization acts as a good corporate citizen.

- Governance Audit
  In line with the CMA Corporate Governance Code for Issuers of Securities to the Public, a governance audit was conducted for the financial year 2018 and recommendations are now being implemented.

- Delegation of Authority-
  The Board and Management execute their mandate in an environment of mutual trust and respect having regard to the principles of good governance. In this regard, the Board provides clear and distinct lines of responsibility and accountability and maintains effective channels of communication.

- Separation of Powers-
  The Managing Director and the Board play separate and distinct roles but work together to achieve organizational goals. The Board is responsible for appointing the Managing Director through a competitive process. The Board together with the Managing Director select the management team and put in place a succession plan for both the Managing Director and management. The Managing Director is responsible for overseeing the execution of the Board's directions and policies to ensure that the Corporation meets its strategic goals.

- Compliance to CMA guidelines-
  In compliance with the CMA Code of Corporate Governance, the following requirements were met within the reporting period:
  i) An evaluation of the Board of Directors and Managing Director was carried out in the e-Board system using the State Corporations Advisory Commission's (SCAC) tool.
  ii) A legal and compliance review of the Corporation was carried out during the year 2017.

6. Gender Parity

- Kenya Re has excelled in Gender Parity and continues to have a near equal distribution of gender among its employee population. Currently the employees are distributed as 52% women and 48% male. Top management is made up of 58% men and 42% women, indicating a high representation of women in top management.

7. Ethics and Integrity

- Anti-Corruption Policy – The Corporation has an Anti-Corruption policy in place and has committed itself to "Zero" tolerance on corruption.
- The Corporation has trained staff on matters concerning ethics and integrity. In addition, there are 15 trained Integrity Assurance Officers (IAO) who champion the cause of issues related to ethics and integrity.
- The Corporation has both internal and external mechanisms for reporting corruption. Internally corruption reporting boxes have been availed in all Corporation offices and buildings. Staff and stakeholders are similarly able to utilize the external mechanism for reporting corruption using the BKMS system available on the Ethics and Anti-Corruption Commission's website.

SUSTAINABILITY- A TRUE VALUE APPROACH

Kenya Re is committed to creating value for each of our stakeholder groups by working hand in hand with them all in order to achieve a mutually beneficial outcome. We appreciate the fact that each stakeholder group is unique in its contribution as well as expected outcome from the Corporation when setting objectives with regards to them. Therefore we undertake to ensure that true value is achieved for each stakeholder in the long term hence the need to ensure that all our business practices are sustainable. Our true value approach in identifying our various stakeholders is etched in the provisions of the *mwongozo* code as well as our communication policy.

Our Stakeholders:

1. Customers- Insurance Companies; both local and international, tenants and mortgagors.
2. Regulators- these are government bodies that enforce various policies and guidelines that determine how we do our business.
3. Shareholders- They comprise of the Government of Kenya the majority shareholder, Private Investors as well as individual shareholders who own a stake at the Corporation.
4. Employees- this is our human capital element that provides the much needed skills and expertise with which we are able to carry out our business.
5. Communities- these are the social groups that are impacted by our business or the localities in which we operate in.

Stakeholder engagement relations policies/procedures:

The Corporation remains very cognizant of the need to constantly engage the different Corporation stakeholder groups. Listening to our stakeholders helps the company to maximize its investment in product research and development and subsequently grow our market share. Engaging with our stakeholders also ensures potential problems are addressed, or changes communicated and understood. We have put in place policies and strategies of dealing with our stakeholders being shareholders, suppliers, ceding insurance companies, brokers, tenants and many others. The Mwongozo code, Communication Policy as well as underwriting, procurement, and other functional procedures are effective in managing our relations with the diverse stakeholder groups as well as guiding the board in recognizing and ultimately respecting the governance practices of stakeholders aiming at enhancing best governance practices.

Building strong relationships with external stakeholders and between management and employees is a vital component in the creation of constructive and deliberate engagements so that all stakeholders benefit. Our sustained effort in establishing strong partnerships between businesses, government, organized labour and community leaders aims to ensure that necessary steps are taken to secure a sustainable future and realize shared value for all our stakeholders.

As outlined in our Corporate Social Responsibility (CSR) policy, the Corporation holds and attaches significant importance to discharging overall social responsibilities to the community and society at large in all its activities; hence it will engage stakeholders honestly and respectfully with commitment to timely and meaningful dialogue with all its stakeholders; in a transparent and effective manner.

Value Creation for our Customers:
Customers are an important part of stakeholders and the Corporation is committed to ensuring that they are treated with respect and served in the best way possible. Therefore our promise is that at all times

- Our clients will be treated with courtesy and consideration and our staff will be helpful at all times.
- Customer questions and needs will be attended to promptly.
- We will exercise the utmost integrity in providing services to our clients.
- We will not disclose any information that may adversely affect our clients without their consent, except where we are under legal obligation to disclose.

Customer Appreciation
The Corporation has taken up membership in the Institute of Customer Experience (ICX) Kenya, which is the body that organizes the annual Customer Service Week in Kenya. The Institute trained the Corporation's staff in 2018 on how to handle and appreciate customers effectively. This ensures a cordial relation is maintained with our customers over a long period of time.

Value Creation for Regulators
We ensure that we comply with various regulations that govern our business and provide our services in an ethical manner devoid of prejudice. We are cognizant of the Economic, Social and Governance (ESG) policies that determine our operational mandate. The following are our regulators:

Regulator	Mandate	Areas of Engagement
Insurance Regulatory Authority (IRA)	The IRA is mandated to regulate, supervise and develop the insurance industry in Kenya.	Quarterly Returns, Inspection of operations and Investments
Capital Markets Authority (CMA)	The CMA is a regulating body charged with the responsibility of supervising, licensing and monitoring the activities of listed companies licensed under the Capital Markets Act.	Corporate Governance
Kenya Revenue Authority (KRA)	The KRA is charged with the responsibility of collecting revenue on behalf of the Government of Kenya.	Taxation
National Environment Management	NEMA is the government agency tasked with management of the environment and environmental policy of the country.	Environmental Impact

Our business engagement in all areas is conducted with full awareness of the regulatory requirements and in compliance with the various policies that determine operations.

Value Creation for Shareholders:
We seek to engage our existing and potential shareholders by providing relevant and up to date information about our performance and strategy.

Our shareholders expect timely, accurate and regular information from the Corporation.

We engage and respond to our investors and shareholders through annual general meetings, investor and media briefings, conference calls, international road shows where existing and potential shareholders are met, performance and strategy information on our website.

Value Creation for Employees:
We believe in primarily attracting and retaining the best talent who are our staff and we invest in them to realize their full potential in order to achieve our goals. We have continuously made it our priority to inculcate a high performance culture, offer competitive remuneration packages, reward outstanding performance and encourage and appreciate innovations.

In 2017 all our staff members were internally and externally trained in different fields of specialization like protocol and etiquette, customer service, leadership and risk management. Our employees are offered a competitive package and value added benefits that include staff loans, medical cover, pension, performance based bonus, annual leave allowance and advanced professional development support.

Because of the loyalty and unwavering support from staff, the **Corporation has benefited through:**

- Reduced staff turnover
- Loyal and dedicated work force
- A highly motivated and professional workforce
- Great performance delivery from staff

Whistle Blowing Policy:
Kenya Re has developed a whistle blowing policy to encourage employees and other parties to report unethical behaviors, malpractices, wrongful conduct, fraud, violation of the company's policies & values, violation of law by any employee of Kenya Re without any fear of retaliation. It seeks to build and strengthen a culture of transparency and trust within the organization.

Corporate Social Responsibility Policy:
The Corporation acknowledges the scope of the social value of contribution to community programs besides the traditional ways in which it contributes directly to wealth creation of the nation in various ways and more specifically through taxation. This policy guides in the execution of the strategic intent to ensure that we continue to be accountable not only to our shareholders but also to our stakeholders. The policy serves as a testament and commitment of the Corporation to behave ethically and contribute to economic development of the entire community of Kenya.

In the execution of this policy, Kenya Re will use channels which are efficient and transparent in line with the Public Officer Ethics Act. The level of commitment to this fundamental will entirely depend on the continued profitability and business performance of the Corporation.

Kenya Re's focus for consideration of possible contribution to public affairs will normally be aspects of:
i) Insurance/reinsurance industry concerns
ii) National disasters/ tragedies, declared as such by Government of Kenya
iii) Severely disadvantaged families and communities in Kenya
iv) Community/public projects that benefit the community directly or indirectly - wealth creation

The Corporation will consider and implement the allocation of financial, material and/or managerial support to causes and activities which represent social value in selected fields subject to an approved plan and within the limits of the available resources as may be authorized by the Board.

Energy Policy:
The Corporation recognizes that energy utilities (electricity, diesel and water) are a significant overhead within its facilities. In addition, Kenya Re also appreciates that the consumption of fossil fuels has a negative environmental impact from the emissions of carbon dioxide (CO_2) and the depletion of non-renewable resources.

In keeping with the corporate policy of continuous improvement, Kenya Re is committed to responsible energy management both as a social and commercial entity, thus will practice energy efficiency throughout its facilities wherever it is cost effective to do so.

By adopting this policy, the Corporation together with its affiliates accept adherence to its content and to uphold the incorporated practice.

The energy policy seeks to:
1) Avoid unnecessary expenditure on energy.
2) Improve energy efficiency continuously by implementing effective energy management programs that support all operations and customer satisfaction while providing a safe and comfortable work environment.
3) Protect the environment by minimizing CO_2 emissions.
4) Conform to the overall national Energy and Environment Policy.
5) Designate an Energy Manager and a Consultant to oversee energy management operations.
6) Comply with the Energy Management Regulations 2012.

Entrenched in the corporate mission, the Corporation endeavors to be socially responsible and environmentally conscious by observing high ethical standards in all business practices.

Risk Management Policy:
The Corporation has a comprehensive risk management policy that addresses the following:
I. Anti-Money Laundering Policy
II. Capital Adequacy Policy
III. Compliance Policy
IV. Board Risk Committee Charter
V. Business Continuity and Disaster Recovery Policy

The directors of Kenya Re have committed themselves to establish and maintain a process of risk management that is aligned to the principles of best corporate governance practices. The features of this process are outlined in the Corporation's Enterprise Risk Management (ERM) framework. All operations in both head office and subsidiary offices are subject to the ERM framework.

Effective risk management is of crucial importance to the Corporation given the scale of operations and risk profile. The realization of our strategy depends on us being able to take calculated risks in a way that takes care of the interests of our stakeholders. An enterprise wide approach to risk management has been adopted by the Corporation, which provides a structured and systematic process of risk management.

The Corporation is continuously striving to embed an appropriate risk culture so that responses to risk remain current and dynamic. All risks associated with a major change and significant actions by the Corporation also fall within the ERM framework. The aim of the ERM framework is to enhance efficiency. Controls and risk interventions are chosen based on their ability to increase the likelihood that fulfils our mandate to the stakeholders.

Company procurement policy
The Corporation is governed by the Public Procurement and Asset Disposal Act, 2015 which guides all procurement activities in the Corporation. The Act ensures that the services and goods we acquire are the result of transparent, objective, time and cost-effective decision making and risk management.

Information technology policy
The Corporation has the following Information technology policies:

I. Mobile devices Usage Policy for Directors
II. Security Policy
III. Privacy & Acceptible use policy
IV. Access Control Policy
V. Anti-virus Policy
VI. Email Acceptable Policy
VII. Mobile Devices Acceptable Use Policy (Staff)
VIII. Firewall Policy
IX. Internet Acceptable Use Policy
X. Internet DMZ Equipment Policy
XI. Servers Security Policy
XII. Service Desk Policy
XIII. ICT Resources Change Management & Control
XIV. Back up Policy
XV. Sensitive Data Protection Guideline
XVI. Reporting An Incident Guideline and Form
XVII. Approved pre-installed applications in Laptops
XVIII. Schedule of ipad operating systems

All these policies ensure the acceptable use of ICTs within the Corporation.

Conflict of interest policy:
Our Conflict of interest policy addresses situations and circumstances in which the directors' and employee's personal interests are - or appear to be - in conflict with the organization's interest. It also assigns responsibility for identifying and resolving actual and potential conflicts.

Insider Trading
The Corporation's Board recognises that insider dealings are illegal as provided in the Capital Markets Act Cap 485A and confirms that there were no known insider dealings in the year under review.

Stakeholder interests in decision-making
The Corporation has adopted collaborative consultative partnership approaches in community investments that integrates community investments considerations into decision-making. The Corporation consistently works towards enhancing its reputation by engaging in building stakeholder relationship through being sensitive and responsive, to the community's needs, and providing economic opportunities in the communities where it operates. The Corporation engages stakeholders through Annual General Meetings (AGMs) and investor briefings and takes into keen consideration issues raised in the two fora. Stakeholders' interests are accommodated for in the Strategic Plan which informs key decision-making at the board level.

Effective communications with stakeholders
The Corporation recognizes that our stakeholders are the people and organizations whose attitudes and actions have an impact on the overall successful attainment of our goals, targets and objectives. Communicating regularly with our stakeholders has enabled us have a positive understanding of their interests and attitudes and has helped us build effective long-term relationships with key groups. The board engages stakeholders through Annual General Meetings (AGMs), Investor Briefing, the Corporation's website and mass media, social media (Twitter, Facebook), one on one meetings, market visits, market surveys and newsletters.

Dispute resolution process to address internal and external disputes.
Kenya Re is committed to delivering the highest possible quality and level of service to its customers. We intend to provide services through the best practice and in line with our customers' needs as we continually seek improvements. We value feedback relayed to us from our stakeholders in form of complaints, as they help us understand specific areas we need to improve on so as to enhance efficient customer service. Our internal disputes are managed through the Human Resources Operations Manual while external disputes/complaints are managed through the complaints handling mechanisms/ infrastructure and a Complaints Handling Committee established for this purpose.

Transparency and disclosure:
We are alive to the fact that the purpose of corporate governance is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the company. Our Board of directors are responsible for the overall governance of our Corporation. On the Corporate Governance Statement within this Annual Report, we have openly disclosed our company's governance structure, the Board and the Audit Committee.

Our sustainability is anchored on our vision, statement of purpose and core values which determine the strategic objectives of the Corporation. Our role and aim is to create value for shareholders and the society alike. This Annual Report openly discloses our mission, vision, core values and strategic objectives which are fundamental in determining the Company's direction as well as defining what goals and supporting objectives must be accomplished.

Kenya Re acknowledges that it is essential for businesses to provide a safe and trustworthy environment, so that employees feel comfortable and protected when they have information to share. That is why our top management, in a bid to promote, demonstrate and commit to the inclusion of whistleblowing within business culture, have adopted a whistle blowing policy that is published on the Corporation's website. This Annual Report also sufficiently and openly discloses Directors remuneration.

The Corporation has appropriately made the following disclosures on our website (www.kenyare.co.ke) in relation to policies:

a. Board Charter
Our Board charter has clearly set out the role, responsibilities, structures, functions and processes of the Board of Kenya Reinsurance Corporation Limited.

b. Whistle-Blowing Policy

The whistle-blowing policy encourages staff and other stakeholders to report unethical behaviors, malpractices, wrongful conduct, fraud, violation of company's policies and values, violation of law by any employee of Kenya Re without any fear of retaliation.

c. Code of Conduct and Ethics

Our Code of Conduct and Ethics spells out procedures, rules and guidelines on how employees should carry out their day to day duties.

Transparency and Disclosure:

We remain committed to the main principle and purpose of disclosure of accounting policies, which is to disclose any affair or event that had an influence on any of the financial statements. Our Annual Report has made the following disclosures on our Annual Report:

a. Compliance with laws and standards

We are abiding to all regulatory compliance requirements as we are keen on ensuring that the strategic objectives and goals we have set as an organization are met in an honest and fair manner.

b. Regulations and standards

Regulations protect consumers' rights, health, and safety, and ensure minimum standards for products and services. We are keen on ensuring that we consistently comply with regulations and standards so as to protect the environment, protect the rights of employees and overall, ensure that our business is achieving its goals safely and fairly.

c. Ethical leadership

The Corporation values ethical leadership since it is a catalyst to financial and strategic success. Our board charter as well as code of conduct sufficiently addresses ethical leadership.

d. Conflict of interest

At the core purpose of embracing our conflict of interest policy, is to protect the Corporation's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Corporation or might result in a possible excess benefit transaction.

e. Governance Audit

We have made known all disclosures including pertaining to governance audit sufficiently through this Annual Report.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors submit their report together with the audited financial statements for the year ended 31 December 2018.

1. INCORPORATION AND 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%. The address of the registered office is set out on page 1.

It has two fully owned subsidiaries; Kenya Reinsurance Corporation, Cote d` Ivoire, which was incorporated on 19 September 2010 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	
	2018 KShs '000	2017 KShs '000	2018 KShs '000	2017 KShs '000
Profit before tax	3,101,850	4,558,551	3,033,273	4,748,502
Tax charge	(823,568)	(981,211)	(823,568)	(981,211)
Profit for the year transferred to retained earnings	2,278,282	3,577,340	2,209,705	3,767,291

4. DIVIDENDS

The directors recommend the approval of a first and final dividend of KShs 0.45 (2017: KShs 0.85) per share totalling to KShs 315 million for the year ended 31 December 2018 (2017: KShs 595 million).

5. DIRECTORATE

The directors who held office during the year and to the date of this report are set out on page 1.

6. BUSINESS REVIEW

We delivered on our commitment to continue growing the shareholders' value. The gross written premiums, investments income, shareholders' funds and assets base registered growth, however there was significant drop in profits for year ended 31st December 2018 due to high claims posted, impairment of an asset held for sale, significant devaluation of forex in one of our markets and significant drop in the share of profit from our investment in associate in Zep Re.

Operational performance
Gross written premiums grew by from KShs 14.83 billion in the year 2017 to KShs 14.838 billion in 2018. Net earned premiums grew by 4% from KShs 13.68 billion in 2017 to KShs 14.2 billion in 2018. Investment income grew from KShs 3.17 billion to KShs 3.39 billion. The profit before tax for the year stood at KShs 3.1 billion, a decline of 32% from last year profit before tax of KShs 4.56 billion.

Our accomplishments are the outcome of disciplined execution of our five-year strategy which is grounded on the following five pillars; financial performance, business process improvement, business development, risk management and people and culture.

REPORT OF THE DIRECTORS (CONT'd)

FOR THE YEAR ENDED 31 DECEMBER 2018

Financial overview

Financial overview of the Group continues to deliver positive results to shareholders and has maintained a good performance despite the challenging business environment experienced during the year which affected the revenue streams, investment income.

Our investment portfolio grew to KShs 36.6billion in 2018 up from KShs 35.47 billion in 2017. The asset base increased from KShs 42.73 billion in 2017 to KShs 44.2.billion in 2018, a growth of 4%. The Shareholders funds increased from KShs 27.2 billion in 2017 to KShs 28.38 billion in 2018 a growth of 5%.

The Key performance drivers that are responsible for positive financial state of the organization include, aggressive collection of the reinsurance receivables and real time market intelligence which guided our response to market changes and the uptake of investment opportunities.

Key performance indicators

	2013 KShs Millions	2014 KShs Millions	2015 KShs Millions	2016 KShs Millions	2017 KShs Millions	2018 KShs Millions
Gross premium	9,645	11,570	13,060	13,245	14,827	14,838
Net premiums written	8,582	10,313	12,016	12,687	13,680	14,206
Investment Income	2,278	2,592	3,041	3,079	3,165	3,386
Total assets	27,628	32,174	35,954	38,494	42,733	44,363
Shareholders' funds	16,993	19,991	21,933	24,133	27,205	28.373
Management Expenses	1,015	1,093	1,319	1,832	1,709	2,020

Principal risks and uncertainties facing the Corporation

In the course of its business operations, the Corporation faces key threats in meeting its business objectives. Among these are market risk exposures from its investment activities occasioned by reduced earnings on bank deposits due to interest rate capping, erratic prices of quoted equities and foreign exchange losses from underwriting operations in diverse regions with different currencies.

The Corporation faces stiff competition both in its local and international markets. There has been increasing cases of domestication of reinsurance business in some key markets, setting up of national reinsurance in countries where there were none, mergers and acquisitions increasing retention capacity of direct underwriters reducing reinsurance premiums, creation of captive reinsurance new entrants in Corporation's target markets, unfavourable changes in legislation in some markets and price undercutting amongst competitors.

Delays in receiving outstanding reinsurance premiums continues to pose credit risk to the Group. This is mainly from outstanding retro recoveries as well as outstanding premium receivables from cedants and brokers. As at 31 December 2018, gross receivables stood at KShs 5.67 billion against provisions of KShs 2.04 billion as compared to 31 December 2017, where gross reinsurance receivables stood at KShs 5.78 billion against provisions of KShs 1.48 billion.

Underwriting risks mainly relate to the risk that underwriting costs may exceed the premiums generated from the underwriting activity. The Corporation's underwriting loss was KShs 575.3 million in year 2018 from a profit of KShs 309 million for year 2017. The Corporation's claim ratio stood at 62% in year 2018 up from 56% registered in year 2017. Claims incurred in year 2018 grew by 14% to KShs 8.8 billion up from KShs 7.60 billion.

REPORT OF THE DIRECTORS (CONT'd)

FOR THE YEAR ENDED 31 DECEMBER 2018

7. STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

With respect to each director at the time this report was approved:

a) there is, so far as the person is aware, no relevant audit information of which the company's auditor is unaware; and

b) the person has taken all the steps that the person ought to have taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

8. SECRETARY

The Company's Secretary is Mr Charles Kariuki.

9. TERMS OF APPOINTMENT OF THE AUDITOR

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 2018. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees. The agreed auditor's remuneration of KShs 7,906,140 has been charged to profit or loss in the year.

BY ORDER OF THE BOARD

Secretary
Nairobi
28th March 2019

STATEMENT ON CORPORATE GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

Board of Directors

The roles and functions of the Chairman and the Managing Director are distinct and their respective responsibilities clearly defined within the Company. The Board comprises of eleven (11) directors ten (10) of whom are non-executive directors including the Chairman. The Board defines the Company's strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues. The directors bring a wealth of experience and knowledge to the Board's deliberations. Except for direction and guidance on general policy, the Board delegates authority of its day-to-day business to the Management through the Managing Director. The Board nonetheless is responsible for the stewardship of the Company and assumes responsibilities for the effective control over the Company. The Company Secretary attends all meetings of the Board and advises the Board on all corporate governance matters as well as prevailing statutory requirements.

Board Meetings

The Board holds meetings on a regular basis while special meetings are called when it is deemed necessary to do so. The Board held four (4) regular and eighteen (18) 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		

Committees of the Board (continued)

Audit Committee (continued)

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

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

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

Risk and Compliance Committee

The membership of the Risk and 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.
- Steering the Corporation on best practices on management of Information and technology.

The committee held four (4) regular meetings and six (6) special 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 eight (8) special meetings in the year under review.

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, procurement, investment strategies, reinsurance strategies, policies, projects and related activities.

The Committee held four (4) regular and six (6) 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 2018 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.

STATEMENT ON CORPORATE GOVERNANCE (CONT'd)

FOR THE YEAR ENDED 31 DECEMBER 2018

Directors' interests as at 31 December 2018:

	Number of shares	Shareholding %
The National Treasury of Kenya	420,000,000	60
Jadiah Mwarania	100,000	-
Chiboli Induli Shakaba	75,403	-
Jennifer Kabura Karina	55,889	-
Maina Mukoma	1,681	
David Kibet Kemei	1,063	-
Felix Okatch	100	-
	420,234,136	**60**

Major Shareholders:

	Number of shares	Shareholding %
The National Treasury of Kenya	420,000,000	60
Standard Chartered Kenya Nominees Ltd A/C KE22446	25,399,670	3.63
Stanbic Nominees Ltd A/C NR 1031141	17,094,400	2.44
Standard Chartered Kenya Nominees Ltd A/C KE002382	8,720,500	1.25
Stanbic Nominees Ltd A/C NR 1031144	7,940,600	1.13
Investments & Mortgages Nominees Ltd A/C 028950	7,666,488	1.1
Kestrel Capital Nominees Ltd A/C Krohne fund	7,000,000	1
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 Non-Resd. A/C KE10085	6,000,000	0.86
Others	186,412,656	26.63
	699,949,068	**100**

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

Shares Range	Shareholders	Number of Shares	% Shareholding
1 - 500	73,685	15,620,843	2.23
501 - 1,000	14,511	10,161,418	1.45
1,001 - 5,000	11,842	22,720,483	3.25
5,001 - 10,000	1,143	8,005,130	1.14
10,001 – 50,000	967	19,406,084	2.77
50,001 - 100,000	111	7,839,551	1.12
100,001 - 500,000	125	25,513,914	3.65
500,001-1,000,000	30	20,681,559	2.95
1,000,000-2,000,000,000	32	570,000,086	81.44
	102,446	**699,949,068**	**100**

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

Nationality	Shareholders	Shares held	% Shareholding
Local Individual Investors	96,411	84,091,098	12.01
Local Institutional Investors	5,539	518,862,061	74.13
Foreign Investors	496	96,995,909	13.86
	102,942	**699,949,068**	**100.00**

....

David Kemei
Director
28th March 2019

....

Anthony Munyao
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2018

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 company keeps proper accounting records that: (a) show and explain the transactions of the company; (b) disclose, with reasonable accuracy, the financial position of the company; and (c) enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Companies Act, 2015.

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 Group's and 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 28th March 2019 and signed on its behalf by:

Jadiah Mwarania	**David Kemei**	**Anthony Munyao**
Principal Officer	Director	Director

zamara
Powering Prosperity

Kenya Reinsurance Corporation Limited

Actuarial Valuation as at 31 December 2018

Actuary's Solvency Certificate

I, James Israel Omanyala Olubayi of Zamara Actuaries, Administrators and Consultants Limited, 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 2018 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 2019

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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 2018

REPORT ON THE FINANCIAL STATEMENTS

Opinion

The accompanying financial statements of Kenya Reinsurance Corporation Limited set out on pages 20 to 99, which comprise the consolidated and Company statements of financial position as at 31 December 2018, the consolidated and Company statements of profit or loss and other comprehensive income, the consolidated and Company statements of cash flows and the consolidated and Company statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information have been audited on my behalf by Ernest and Young LLP, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results of their audit on the basis of their report, I am satisfied that all 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 financial statements present fairly, in all material respects the financial position of Kenya Reinsurance Corporation Limited as at 31 December, 2018, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with Company's Act, 2015.

Basis for opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Reinsurance Corporation Limited 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 the Matter

1. Tax Assessment by Kenya Revenue Authority (KRA)

As reported in the previous years, I draw attention to note 44 of the financial statements which describe a contingent liability in relation to tax assessment by Kenya Revenue Authority (KRA). The group is 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 remains uncertain even though the company continues to hold discussions with KRA in an attempt to resolve the matter in contention with the assistance of professional advisers.

Key Audit Matters

No.	Key audit matter	How our audit addressed the key audit matter
1.	**Reinsurance contract liabilities**	
	The valuation of the Group's reinsurance contracts is dependent on a number of subjective assumptions about future experience as disclosed in notes 2, 35 and 36 to the consolidated and separate 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 Group uses external actuaries to value both the life and non –life reinsurance contract 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 2, 34 and 35 to the consolidated and separate financial statements which are significant to the understanding of the Group's reinsurance contract liabilities are not complete.	The audit procedures included the following: • Testing, on a sample basis, the key controls around the processes for analysing the economic and noneconomic assumptions used in the valuation of the reinsurance contract liabilities. • Using our actuarial specialists, assessing the appropriateness of management's liability adequacy testing which is a key test performed to check that the liabilities are adequate as compared to the expected future contractual obligations. Our audit procedures on the liability adequacy testing included reviewing the assumptions adopted in the context of both the Group and industry experience and specific product features. • Considering recent experience and the reasonableness of the judgements applied by management on how future experience will evolve. • Assessing the completeness of the disclosures regarding the reinsurance contract liabilities in the consolidated and separate financial statements.

Report of the Auditor-General on the Financial Statements of Kenya Reinsurance Corporation Limited for the year ended 31 December 2018

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No.	Key audit matter	How our audit addressed the key audit matter
2.	**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 as disclosed in note 39 to the consolidated and company financial statements using a rate of 40% of the written premiums to defer premium income written but not earned during the reporting period. We considered this to be a key audit matter since the Group's financial results are significantly sensitive to changes in this assumption. 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 in the area of recording premium income in the improper period by not observing proper cut off procedures.	The audit approach included controls testing and substantive procedures covering, in particular: • Testing, on a sample basis, key controls over the underwriting process. • Performing an analysis of premium income and unearned premiums based on the 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 adjustments to premium income after year-end were supported and processed in the correct period. • Involving actuarial specialists in checking whether the assumptions used to determine the un-earned premium reserves were supported.
3.	**Valuation of investment property**	
	As at 31 December 2018, the carrying amount of the Group's investment property was KShs.10 billion as disclosed in note 18 to the consolidated and separate financial statements. The investment property is measured at fair value in accordance with International Accounting Standard (IAS) 40 *Investment Property*. The Group's policy is to revalue the	The audit procedures included the following: • Evaluating the objectivity and independence of the external valuer. • Assessing whether the underlying assumptions applied in the determination of the fair value were

No.	Key audit matter	How our audit addressed the key audit matter
	investment property annually using an external valuer. The basis adopted in the valuation of investment property was open market value based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific property. Given that the fair value of investment property involves significant estimation and assumptions, such as comparative active market prices and adjustments for differences in the nature, location or condition of the property, and the importance of the disclosures in notes 3(ii) and 18 relating to the assumptions used in the valuation, I considered this as a key audit matter.	supported in the context of the industry and nature of the investment property. • Assessing whether the valuation methodologies and assumptions adopted in determining the fair values of the investment property were in accordance with IFRS. • Evaluating whether the determined fair values were comparable to the market values for similar property in similar locations. • Assessing the adequacy of the Group's disclosures in respect of the methodology and assumptions used in valuation.
4.	**Implementation of new information technology (IT) system**	
	During the year, Kenya Reinsurance Corporation implemented a new IT system, Storebrand International Contract System (SICS) in Kenya and in countries in which its subsidiaries operate in. The change of IT system entails new processes, controls and delegation of authority being set up as well as the migration of operational and financial data from the legacy systems to the new system. As such, the change presents inherent risks of breakdown of IT dependent controls and loss of integrity of financial data being migrated, which could lead to errors in financial reporting.	The audit procedures included the following: • Considering the Group's processes and project governance over the new system implementation. • Involving IT specialists to test the controls over change management and the migration of key financial data from the legacy system to SICS. Training the general IT control environment in SICS, including access controls and backup operations. • In addition, performing independent validation of the account balances being migrated and testing the reconciliation control in place.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis of Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan to perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

As required by Section 7(1) of the Public Audit Act, 2015 based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively. In all material respects, I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Corporation'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 management either intends to liquidate the Corporation or to cease operations, or have no realistic alternative but to do so.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provision of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process, reviewing the effectiveness of how the Corporation monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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.

In addition to the audit of the financial statements , a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 220(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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 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 my 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.

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

- Conclude on the appropriateness of the management's 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 Corporation'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 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 Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 Corporation or business activities to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the management 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 management 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by Company's Act 2015, I report based on my audit, that:

i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit; and,

ii. in my opinion, proper books of account have been kept by the company, so far as appears from my examination of those books; and,

iii. the company's statement of financial position is in agreement with the books of account.

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

Nairobi

28 March 2019

Report of the Auditor-General on the Financial Statements of Kenya Reinsurance Corporation Limited for the year ended 31 December 2018

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AFISI YA MKAGUZI MKUU WA MAHESABU YA FEDHA ZA UMMA

RIPOTI YA MKAGUZI MKUU WA MAHESABU YA FEDHA ZA UMMA KUHUSU SHIRIKA LA KENYA REINSURANCE CORPORATION LIMITED KATIKA MWAKA ULIOMALIZIKIA TAREHE 31 DESEMBA 2018

RIPOTI KUHUSU TAARIFA ZA KIFEDHA

Maoni

Taarifa za kifedha zlizoambatishwa hapa za shirika kuu la bima la Kenya Reinsurance Corporation Limited zinapatikana katika kurasa za 20 hadi 99, ambazo zinajumuisha taarifa za pamoja za Kampuni kuhusu hali ya kifedha kufikia tarehe 31 Desemba 2018, taarifa za pamoja na za kampuni kuhusu faida na hasara pamoja na mapato mengi kamilifu, taarifa za pamoja na za kampuni kuhusu uingiaji na upatikanaji wa pesa na taarifa ya pamoja ya Kampuni kuhusu mabadiliko kwenye hisa katika mwaka huo uliokamilika, pamoja na muhtasari wa sera muhimu za uhasibu na maelezo mengine mepesi yamekaguliwa kwa niaba yangu na Ernest and Young LLP, ambao ni wakaguzi wa mahesabu walioteuliwa chini ya Sehemu ya 23 ya Sheria ya Ukaguzi wa Mahesabu ya Umma, ya 2015. Wakaguzi hao wamenieleza inavyohitajika matokeo ya ukaguzi wao kwa mujibu wa ripoti yao. Nimeridhika kuwa habari na maelezo ambayo, kwa ufahamu wangu wa kina, nimeridhia na ninaamini kwamba yaliyohitajika kwa minajili ya ukaguzi, yalipatikana.

Kwa maoni yangu, taarifa hizo za kifedha zinawasilisha kwa njia kubalifu, kwa vigezo vyote, hali ya kifedha ya Kenya Reinsurance Corporation Limited kufikia tarehe 31 Desemba 2018, na matokeo yake ya kifedha pamoja na uingiaji na upatikanaji wa pesa katika mwaka huo uliokamilika, kulingana na Viwango vya Kimataifa vya Kuwasilisha Ripoti za Kifedha na kutii Sheria ya Makampuni ya 2015.

Msingi Thabiti wa Maoni

Ukaguzi huo uliendeshwa kulingana na Viwango vya Kimataifa vya Taasisi Kuu ya Ukaguzi (ISSAI). Mimi sihusiani na Kenya-Re Limited kama inavyotakikana kwenye ISSAI 30 kuhusu Kanuni za Kimaadili ya Kikazi. Nimetimiza majukumu mengine ya kimaadili kulingana na ISSAI na kulingana na mahitaji mengine ya kimaadili yanayotumika katika ukaguzi wa taarifa za mahesabu ya fedha nchini Kenya. Ninaamini kwamba ushahidi wa ukaguzi niliopokea unatosha na unastahili katika kufafanua msingi thabiti wa maoni yangu.

Msisitizo kuhusu Suala hilo

1. Tathmini ya Ushuru na Mamlaka ya Ushuru Nchini Kenya (KRA)

Kama ilivyoripotiwa katika miaka ya awali, ninakuelekeza katika hoja ya 44 ya taarifa za kifedha inayoelezea gharama zinazoweza kutokea kuhusiana na tathmini ya Mamlaka ya Ushuru Kenya (KRA). Shirika hili limo katika mzozo wa madai ya ushuru na KRA, unaotokana na sharti la KRA kwamba ilipwe Bilioni Ksh1,272,488,000 kuhusiana na ushuru wa kushikilia unaotokana na gharama ya ununuzi wa biashara za bima na ada ya udalali. Matokeo ya ushuru yanasalia kutobashirika hata ingawa kampuni hii inaendelea kufanya majadiliano na KRA katika juhudi za kusuluhisha suala hilo linalozozaniwa, kwa usaidizi wa wataalamu wa utoaji ushauri.

Masuala Makuu ya Ukaguzi

Na.	Suala Kuu la Ukaguzi	Jinsi ukaguzi wetu ulivyoshughulikia suala kuu la ukaguzi
1.	**Gharama za kandarasi za bima kuu**	
	Thamani ya kandarasi za Shirika hili za uchukuaji wa bima kuu hutegemea dhana kadhaa za kimtazamo kuhusu tutakayojifunza katika siku zijazo kama ilivyofichuliwa katika hoja za 2, 35 na 36 katika taarifa za pamoja na zile zilizotenganishwa za kifedha. Baadhi ya dhana za kiuchumi zilizo za kitakwimu na zile ambazo sio za kitakwimu zilizotumika katika kupima thamani za kandarasi za bima ni changanuzi, hasa kuhusiana na uhimilifu (kudumisha bima kwa muda), urefu (matarajio kuhusu muda halisi ambao mwenye bima, kwa kigezo cha miaka, ataishi na jinsi hali hiyo itakavyobadilika baada ya muda fulani), matumizi ya pesa (gharama zitakazotumiwa siku zijazo ili kudumisha bima zilizopo hadi zikomae). Shirika hili hutumia takwimu za nje kuzipa thamani gharama za kandarasi za bima kuu za maisha na zisizokuwa za maisha. Suala hili lilichukuliwa kwa umuhimu mkubwa hususan katika ukaguzi kutokana na usiri unaohitajika kuhusu utoaji wa thamani gharama za kandarasi za bima kuu kwenye mabadiliko ya dhana kuu. Pia nilizingatia kuwepo kwa hatari kwenye ufichuzi katika hoja za 2, 34 na 35 katika taarifa za pamoja na zile zilizotenganishwa za kifedha ambazo ni muhimu katika kuelewa gharama za kandarasi za bima kuu ya Shirika hili.	Hatua za ukaguzi zinahusisha yafuatayo: • Kufanyia majaribio, kwa msingi wa sampuli tu, vidhibiti vikuu kuhusiana na hatua za kuchanganua dhana za kiuchumi na zisizokuwa za kiuchumi zinazotumiwa katika utoaji thamani kwenye gharama za kandarasi za bima kuu. • Kwa kutumia wataalamu wetu wa takwimu, kutathmini ufaafu wa majaribio ya utoshelevu wa gharama za usimamizi, ambalo ni jaribio muhimu linalotekelezwa ili kubaini kuwa gharama hizo zinatosha ukilinganisha na majukumu ya kikandarasi ya siku zijazo yanayotarajiwa. Hatua zetu za ukaguzi kuhusu jaribio la utoshelevu wa gharama zinahusisha kuchanganua dhana zilizokubaliwa katika muktadha wa Shirika na tajriba yetu katika sekta hii pamoja na sifa mahsusi za bidhaa. • Ukizingatia tajriba yetu ya hivi majuzi pamoja na urazini wa maamuzi yaliyotumiwa na usimamizi kuhusu jinsi tajriba yetu ya siku zijazo itakavyobadilika • Kutathmini ukamilifu wa ufichuzi kuhusiana na gharama za kikandarasi za bima kuu katika taarifa za pamoja na tenge za kifedha.
2	**Utambuaji wa mapato – mapato ya malipo ya bima na hifadhi za mapato ya bima ambayo hayajapatikana**	
	Shughuli za shirika hili zinajumuisha tathmini ya hatari katika bima yenye muda ambao haulingani na wakati wa kuripoti. Shirika hili limekadiria hifadhi za malipo ya bima yasiyopatikana kama ilivyofichuliwa katika hoja ya 39 kwenye taarifa za pamoja na za kifedha za kampuni kwa kutumia kiwango cha asilimia 40 ya malipo ya ya jumla ya bima ili kusitisha mapato ya bima yaliyoafikiwa lakini hayajapokelewa katika mwaka unaoangaziwa. Tulichukulia hili kuwa suala kuu la ukaguzi maadamu matokeo ya kifedha ya Shirika hili ni ya kisiri kiasi kuhusiana na mabadiliko kwenye dhana hii. Pia nilizingatia hapo kuwepo kwa hatari kwamba mapato hunakiliwa kwa namna isiyofaa ili kupata matokeo ya kupanga ya kifedha. Nilitathmini kuwa nafasi ya kuvuruga huku kwa mapato huunda hatari zaidi katika hatua za kunakili mapato ya bima katika kipindi kisichofaa kwa kutozingatia hatua kubalifu.	Mbinu ya ukaguzi ilijumuisha kupima vidhibiti na hatua madhubuti zikijumuisha, hasa: • Kufanyia majaribio, kwa msingi wa sampuli tu, vidhibiti vikuu kwenye harakati ya kupima hatari. • Kutekeleza uchanganuzi wa mapato ya bima na mapato ya bima ambayo hayajapokewa kutegemea ufahamu wa sekta hii na kuunda tarajio la mapato kutegemea viashiria vikuu vya matokeo kwa kuzingatia mabadiliko katika biashara ya Shirika. • Kuchanganua nakala za kuthibitisha mapato ya bima kwa msingi wa sampuli tu. • Kukagua kuwa, marekebisho katika mahesabu ya mapato ya bima baada ya kukamilika kwa mwaka, yalikuwa na ithibati na kuendeshwa katika kipindi kinachofaa. • Kuwatumia wataalamu wa takwimu kubainisha iwapo dhana zilizotumika kuamua hifadhi ya mapato ya bima yasiyopokewa ilikuwa na ithibati.

Na.	Suala Kuu la Ukaguzi	Jinsi ukaguzi wetu ulivyoshughulikia suala kuu la ukaguzi
3.	**Tathmini ya mali ya kuwekeza**	
	Kufikia tarehe 31 Desemba 2018, kiasi cha pesa za mali ya uwekezaji wa Shirika kilikuwa Ksh10 bilioni kama ilivyofichuliwa katika hoja ya 18 kwenye taarifa za pamoja na zile zilizotenganishwa za kifedha. Mali ya uwekezaji hupimwa kwa thamani inayokubalika kulingana na Viwango vya Uhasibu vya Kimataifa (IAS) 40 Investment Property. Sera ya Shirika hili ni kupima upya thamani ya mali ya uwekezaji kila mwaka kwa kutumia mpima thamani wa nje. Msingi uliokubaliwa katika kupima huko kwa thamani ya mali ya uwekezaji ulikuwa wa, thamani ya soko-wazi kwa kutegemea bei zilizoko sokoni, ikirekebishwa kwa ajili ya tofauti za aina, mahali au hali ya mali maalum. Ikizingatiwa kuwa thamani ifaayo ya mali ya uwekezaji hujumuisha ukadiriaji na dhana halisi, kama vile ulinganisho wa bei za sokoni na urekebishaji kwa sababu ya tofauti za aina, mahali au hali za mali hiyo, pamoja na umuhimu wa ufichuzi katika hoja 3(ii) na 18 inayohusiana na dhana zilizotumiwa katika upimaji thamani, nilizingatia hili kama suala kuu la ukaguzi.	**Hatua za ukaguzi zilijumuisha mambo yafuatayo:** • Kutathmini utaalamu na uhuru wa mtoaji thamani wa nje. • Kutathmini iwapo dhana zilizotumika katika maamuzi ya thamani kwa njia isiyo na hila, zilithibitishwa katika muktadha wa sekta hii na aina ya mali ya uwekezaji • Kutathmini iwapo mbinu za kupima thamani na dhana zilizotumiwa katika kuamua thamani zifaazo za mali ya uwekezaji zililingana na IFRS. • Kutathmini iwapo thamani zifaazo zilizobainishwa zinalingana na thamani zilizo sokoni za mali sawa na hiyo katika eneo sawa. • Kutathmini utoshelevu wa ufichuzi wa Shirika kuhusiana na mbinu na dhana zilizotumiwa katika upimaji thamani
4.	**Uzinduzi wa mfumo mpya wa teknolojia ya habari (IT)**	
	Katika mwaka unaochanganuliwa, Shirika la Kenya Reinsurance Corporation lilizindua mfumo mpya wa Teknolojia ya Habari (IT), *Storebrand International Contract System (SICS)* nchini Kenya na katika mataifa ambapo tanzu zetu zinahudumu. Mabadiliko katika mfumo wa Teknolojia ya Habari yanahitaji harakati mpya, vidhibiti na kugawa mamlaka pamoja na uhamishaji wa data inayotumika na ya kifedha kutoka kwa mifumo ya awali hadi kwa mipya. Kuambatana na mkondo huo, mabadiliko hayo yanatoa hatari mpya za kihitilafu na kupotea kwa maadili kuhusiana na data za kifedha zinazohamishwa, hali inayoweza kusababisha dosari katika uwasilishaji wa taarifa za kifedha.	**Hatua za ukaguzi zilijumuisha yafuatayo:** • Kuzingatia harakati za Shirika na usimamizi wa miradi katika uzinduzi wa mfumo mpya. • Kuhusisha wataalamu wa Teknolojia ya Habari ili kufanyia majaribio mabadiliko ya usimamizi na uhamishaji wa data muhimu za kifedha kutoka kwa mifumo ya awali hadi kwa SICS. Kutoa mafunzo ya jumla ya mazingira ya uendeshaji Teknolojia ya Habari kwa mfumo wa SICS, ikiwemo ufikiaji vidhibiti na mbinu mbadala pakiwapo hitilafu. • Kadhalika, utekelezaji huru wa kuthibitisha salio kwenye akaunti zinazohamishwa na kufanyia majaribio uwepo wa vidhibiti vya kuwianisha.

TAARIFA YA UHALALI NA UTHABITI KATIKA MATUMIZI YA RASILIMALI ZA UMMA

Kama inavyohitajika katika Ibara ya 229 (6) ya Katiba, kuambatana na utaratibu wa ukaguzi wa mahesabu uliotumika, nathibitisha kwamba hakuna jambo ambalo limenisababisha kuamini kwamba rasilimali za umma hazijatumika kuambatana na sheria na tena kikamilifu.

Msingi wa Hitimisho hilo

Ukaguzi huu ulifanywa kuambatana na ISSAI 4000. Kuambatana na viwango vya ubora, napaswa kufuata masharti ya kimaadili na hivyo napanga kufanya ukaguzi ili kupata hakikisho kuhusu iwapo shughuli zozote zile na za kibiashara, vile vile taarifa iliyoakisiwa kwenye taarifa ya kifedha zinaafikiana na mamlaka yanayozoidhibiti. Naamini kwamba ushahidi wa ukaguzi ambao nimepokea unatosha na unafaa kutoa msingi wa uamuzi wangu.

TAARIFA KUHUSU UDHIBITI WA NDANI, USIMAMIZI WA HATARI PAMOJA NA UONGOZI

Kama inavyohitajika na Kifungu 7 (1) cha Sheria ya Ukaguzi wa Umma, 2015, kuambatana na utaratibu uliotumika, nathibitisha kwamba hakuna sababu yoyote ya kunifanya niamini kwamba vidhibiti vya ndani, udhibiti wa hatari na uongozi havikuwa thabiti.

Msingi wa Hitimisho hilo

Ukaguzi huu ulifanywa kuambatana na ISSA 1315 na ISSA 1330. Viwango vinahitaji kwamba nipange na kushughulikia ukaguzi huu ili kupata hakikisho kamili la iwapo utaratibu thabiti na mifumo ya vidhibiti vya ndani, udhibiti wa hatari pamoja na uongozi vilitumika vilivyo. Naamini kwamba ushahidi wa ukaguzi wa mahesabu nilio nao unatosha na unafaa kutoa msingi wa uamuzi wangu.

Wajibu wa Usimamizi na Wale waliopewa Majukumu ya Kusimamia Taarifa za Kifedha

Usimamizi una jukumu la maandalizi na kuhakikisha mawasilisho mazuri ya taarifa hizi za kifedha, kuambatana na Viwango vya Kiamataifa vya utangazaji, na kwa kudumisha vidhibiti vya ndani huku usimamizi ukifanya maamuzi ni muhimu ili kuwezesha maandalizi ya kifedha ya kweli, iwepo kutokana na ufisadi au hitilafu na kwa ukadiriaji wa vidhibiti vya ndani, udhibiti wa hatari na uongozi.

Katika maandalizi ya taarifa za kifedha, usimamizi una wajibu wa kukadiria uwezo wa shirika hili ili kuendelea kufichua masuala yanayohusiana na kuendeleza shughuli za kibiashara na kutuzitumia kwa msingi wa uhasibu, ila iwapo usimamizi huu unanuia kufilisi shirika hili au kukomesa shughuli za kibiashara.

Aidha, usimamizi una wajibu wa kuwasilisha taarifa za kifedha kwa Mkaguzi Mkuu wa mahesabu, kuambatana na Kifungu 47 cha Sheria ya Ukaguzi wa Mahesabu wa Umma, 2015.

Mbali na jukumu la maandalizi na mawasilisho ya taarifa za kifedha yaliyotajwa, usimamizi pia una wajibu wa kuhakikisha kwamba shughuli za kibiashara na taarifa zilizoakisiwa kwenye taarifa hizi zinaambatana na mamlaka yanayozidhibiti, vile vile rasilimaliza umma zinatumika kwa uthabiti.

Walio na jukumu la uongozi wana wajibu wa uangalizi wa shughuli za kutoa taarifa za kifedha, kukagua uthabiti wa jinsi shirika hili linavyofuatilia utiifu wa mahitaji muhimu ya kisheria na udhibiti, kuhakikisha kwamba shughuli thabiti na mifumo imewekwa kuangazia majukumu kuambatana na uongozi na udhibiti wa hatari, na kuhaikisha utoshelevu na kutoa mazingira thabiti.

Wajibu wa Mkaguzi Mkuu wa Mahesabu katika Taarifa ya Ukaguzi

Malengo ya ukaguzi huu ni kupata hakikisho kuhusu iwapo taarifa hizi za kifedha kwa ujumla hazina makosa, iwe kutokana na sababu za kifisadi au hitilafu, na kutoa taarifa ya ukaguzi inayojumuisha maoni yangu kuambatana na Kifungu 48 cha Sheria ya Ukaguzi wa Umma, 2015, na kuwasilisha taarifa ya ukaguzi huo kuambatana na Ibara 229 (7) ya Katiba ya Kenya. Hakikisho hili ni la viwango vya juu lakini haimaanishi kwamba ukaguzi uliofanywa kuambatana na ISSA utatambua makosa iwapo yapo. Makosa yanaweza kutokana na ufisadi au hitilafu na yanachukuliwa kwa undani ikiwa, kwa uchache au ujumla huenda yakashawishi maamuzi ya kiuchumi ya watumiaji kwa msingi wa taarifa hizi za kifedha.

Mbali na ukaguzi wa taarifa za kifedha, ukaguzi wa kuonyesha utiifu unapangwa na kufanywa ili kuonyesha hitimisho iwapo shughuli za kibiashara na taarifa zilizoakisiwa kweney taarifa hizi za kifedha zimetii masharti ya mamlaka yanayozidhibiti, na kwamba rasilimali za umma zinatumika kwa uthabiti, kuambatana na Ibara ya 229 (6) ya Katiba, na kuwasilisha taarifa ya ukaguzi kuambatana na Ibara ya 220 (7) ya Katiba.

Pia, katika maandalizi na utekelezaji wa ukaguzi wa taarifa hizi za kifedha, vile vile ukaguzi wa utiifu wa masharti, nazingatia vidhibiti vya ndani ili kutoa hakikisho kuhusu uthabiti wavyo, udhibiti wa hatari na shughuli za uongozi na mifumo, kuambatana na Kifungu 7 (1) (a) cha Sheria ya Ukaguzi wa Umma, 2015 na kuwasilisha taarifa ya ukaguzi kuambatana na Ibara ya 229 (7) ya Katiba. Uamuzi wangu kuhusu vidhibiti vya ndani hautafichua masuala yaliyomo ambayo huenda yakawa dhaifu kuambatana na ISSAI. Udhaifu huu unamanaisha kwamba usanifu au shughuli ya mojawapo au sehemu kadha hazipunguzi pakubwa kiwango cha makosa yanayotokana na hitilafu au ufisadi. Kuambatana na taarifa za kifedha zilizokaguliwa, makosa yaweza tokea na yasitambuliwe kwa muda ufaao na wafanyakazi wanapofanya shughuli zao za kawaida.

Kutokana na udhaifu wake, huenda vidhibiti vya ndani visizuie wala kutambua makosa na mifano ya kutotii. Pia, utabiri wowote wa thamini wa siku za usoni pia uko katika hatari ambapo huenda vizuizi hivi visitoshe kwa sababu ya mabadiliko ya hali, au kwamba huenda viwango vya utiifu wa sera na utaratibu huu vikadorora.
Kama sehemu ya ukaguzi kuambatana na ISSAI, natoa uamuzi na pia nadumisha shauku za kitaalamu katika shughuli hii yote. Kadhalika,

- Natambua na kukagua hatari ya makosa ya taarifa hizi za kifedha, iwe kutokana na sababu za ufisadi au hitilafu, kusanifu na kutekeleza utaratibu wa ukaguzi ili kukabiliana na hatari hizo, na nimepokea ushahidi wa kutosha na unaofaa kuhusu ukaguzi huu kama msingi wa maoni yangu. Hatari ya kutotambua makosa kutokana na ufisadi iko juu zaidi ya yanayotokana na hitilafu, kwani ufisadi huhusisha ushirika, udanganyifu, kuondoa taarifa kwa hiari, uwakilishi wa uwongo, au hutegemea udhibiti wa ndani.

- Nakagua umuhimu wa sera za uhasibu zilizotumika, na umuhimu wa makadirio ya uhasibu, vile vile ufichuzi uliofanywa na usimamizi.

- Natoa mahitimisho kuhusiana na umuhimu wa usimamizi katika kutumia kanuni ya uhasibu kwamba kampuni hii itaendelea kutekeleza shughuli katika siku zijazo, na kuambatana na ushahidi wa ukaguzi uliopatikana, ikiwa kuna wasiwasi iwapo kampuni hii itaendeleza shughuli zake kuambatana na hali ambazo huenda zikasababisha wasiwasi wa hili kuafikiwa. Iwapo nitaamua kwamba wasiwasi huu upo, nitahitajika kuelezea kwenye taarifa ya ukaguzi wa mahesabu au ikiwa ufichuzi huu sio wa kutosha, kubadilisha maoni yangu. Mahitimisho yangu yanaambatana na ushahidi wa ukaguzi uliopatikana kufikia tarehe ya kuwasilisha taarifa yangu ya kifedha. Hata hivyo, huenda shughuli au hali za siku zijazo zikasababisha shirika hili kukomesha shughuli zake za kibiashara.

- Kukagua mawasilisho ya jumla, muundo na maudhui ya taarifa hizi za kifedha, ikiwa ni pamoja na ufichuzi, na iwapo taarifa hizi za kifedha zinawakilisha shughuli za kibiashara zilizopo, na kutoa uwakilishi wa kweli.

- Kupokea ushahidi muhimu na wa kutosha kuhusiana na taarifa za kifedha za shirika hili au shughuli za kibiashara ili nitoe maoni kuhusiana na taarifa za kifedha.

- Nitatekeleza utaratibu mwingine ambao nitaona kuwa muhimu katika hali iliyopo.
  Kuwasiliana na usimizi kuhusu shughuli zote na muda wa ukaguzi huu wa mahesabu, na matokeo muhimu ikiwa ni pamoja na udhaifu katika vidhibiti vya undani na kwamba vinatambuliwa kwenye taarifa hiyo.

  Aidha, naiwasilishia usimamizi taarifa niliyounda kuambatana na masharti muhimu ya kimaadili kuhusu uhuru na kuwasilisha, na kuwasilisha uhusiano wao wote pamoja na masuala mengine ambayo huenda yakadhaniwa kuhusiana na uhuru wangu, na kila itakapofaa, vidhibiti vingine vya usalama.

TAARIFA KUHUSU MAHITAJI MENGINE YA KISHERIA PAMOJA NA UDHIBITI

Kuambatana na Sheria ya Kampuni ya 2015, natoa taarifa hii kuambatana na ukaguzi wangu kwamba:

i. Nimepokea taarifa zote na maelezo ambayo kwa ufahamu na imani yangu, yalikuwa muhimu katika shughuli za ukaguzi; na,

ii. Kulingana na maoni yangu, vitabu muhimu vya uhasibu vimehifadhiwa na shirika hili, kufikia sasa kuambatana na ukaguzi wangu wa vitabu hivyo.

iii. Taarifa ya hali ya kifedha ya kampuni hii inalingana na vitabu vya uhasibu.

FCPA Edward R. O. Ouko, CBS
MKAGUZI MKUU WA MAHESABU YA KIFEDHA
Nairobi
Tarehe 23 Machi 2019

DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

INFORMATION NOT SUBJECT TO AUDIT

The Corporation's directors' remuneration policy and strategy

The Board establishes and approves formal and transparent remuneration policies to attract and retain both executive and non-executive Board members. These policies clearly stipulate remuneration elements such as directors' fees, honorarium and attendance allowances that are competitive and in line with those of other agencies in the industry.

In accordance with the guidelines provided under the State Corporations Act and by the Salaries and Remuneration Commission as well as shareholder approval granted at the Annual General Meeting; the directors are paid a taxable director's fee at KShs 80,000 for every month served (KShs 960,000 per annum) and a sitting allowance of KShs 20,000 for every meeting attended. The Chairman is also paid a monthly honorarium of KShs 80,000.

Kenya Reinsurance Corporation Limited does not grant personal loans, guarantees, share options or incentives to its non-executive directors. The Managing Director is entitled to such loans as are available to other employees as per the Corporation's human resource policies.

Contract of service

In accordance with the Capital Markets Authority (CMA) regulations on non-executive directors and the Corporation's Articles of Association, a third of the directors retire every year by rotation and subject themselves to election at every Annual General Meeting by the shareholders.

The Managing Director and Chief Executive Officer (CEO) had a five year renewable contract of service with the Corporation starting 12 April 2016.

Changes to directors' remuneration

During the period, there were no changes in directors' remuneration which is set as per the guidelines provided in the State Corporations Act and by the Salaries and Remuneration Commission.

Statement of voting on the directors' remuneration report at the previous Annual General Meeting

During the Annual General Meeting held on 21 June 2018, the shareholders approved directors' remuneration for the year ended 31 December 2018 by show of hands.

At the Annual General Meeting to be held on 20 June 2019, approval will be sought from shareholders of this Directors' remuneration report for the financial year ended 31 December 2018.

DIRECTORS' REMUNERATION REPORT (CONT'd)

FOR THE YEAR ENDED 31 DECEMBER 2018

INFORMATION SUBJECT TO AUDIT

The following tables show the remuneration for the Managing Director and CEO and Non-Executive Directors in respect of qualifying services for the year ended 31 December 2018 together with the comparative figures for 2017.

YEAR ENDED 31 DECEMBER 2018

DIRECTOR	CATEGORY	GROSS PAYMENTS KShs	DIRECTOR FEES KShs	ALLOWANCES KShs	TOTAL KShs
David Kibet Kemei	Chairman, Non-Executive	-	960,000	2,080,000	3,040,000
Jadiah Mwarania	Managing Director	22,242,000	-	960,000	23,202,000
Chiboli Shakaba	Non -Executive	-	960,000	1,144,000	2,104,000
Everest Lenjo	Non -Executive	-	960,000	1,562,000	2,522,000
Felista Seenoi Ngatuny	Non -Executive	-	960,000	1,280,000	2,240,000
Felix Okatch	Non -Executive	-	960,000	1,262,000	2,222,000
Jennifer Karina	Non -Executive	-	960,000	1,214,000	2,174,000
Maina Mukoma	Non -Executive	-	960,000	1,626,000	2,586,000
Anthony Muthama Munyao	Non -Executive	-	960,000	1,492,000	2,452,000
Zipporah Kinanga Mogaka	Non -Executive	-	960,000	1,378,000	2,338,000
Protus Sigei (alternate to CS Treasury)	Non -Executive	-	-	1,446,000	1,446,000
Cabinet Secretary - The National Treasury	Non -Executive	-	960,000	-	960,000
TOTAL		**22,242,000**	**9,600,000**	**15,444,000**	**47,286,000**

DIRECTORS' REMUNERATION REPORT (CONT'd)

FOR THE YEAR ENDED 31 DECEMBER 2018

INFORMATION SUBJECT TO AUDIT (continued)

YEAR ENDED 31 DECEMBER 2017

DIRECTOR	CATEGORY	GROSS PAYMENTS KShs	DIRECTOR FEES KShs	ALLOWANCES KShs	TOTAL KShs
David Kibet Kemei	Chairman, Non-Executive	-	1,320,000	2,220,000	3,540,000
Jadiah Mwarania	Managing Director	21,618,000	-	120,000	21,738,000
Chiboli Shakaba	Non -Executive	-	1,320,000	1,056,000	2,376,000
Everest Lenjo	Non -Executive	-	1,320,000	1,146,000	2,466,000
Felista Seenoi Ngatuny	Non -Executive	-	1,320,000	1,036,000	2,356,000
Felix Okatch	Non -Executive	-	1,320,000	1,156,000	2,476,000
Jennifer Karina	Non -Executive	-	1,320,000	932,000	2,252,000
Maina Mukoma	Non -Executive	-	1,320,000	1,434,000	2,754,000
Anthony Muthama Munyao (Appointed on 17 June 2016)	Non -Executive	-	1,152,822	1,290,000	2,442,822
Zipporah Kinanga Mogaka (Appointed on 17 June 2016)	Non -Executive	-	1,152,822	1,352,000	2,504,822
Protus Sigei (alternate to CS Treasury)	Non -Executive	-	-	998,000	998,000
Cabinet Secretary - The National Treasury	Non -Executive	-	1,320,000	-	1,320,000
Dr Lumbi Wa Nabea (Retired on 17 June 2016)	Non -Executive	-	166,767	-	166,767
Priscilla Muthoni Mwangi (Retired on 17 June 2016)	Non -Executive	-	166,767	-	166,767
TOTAL		**21,618,000**	**13,199,178**	**12,740,000**	**47,557,178**

Approved by the board of directors on 28th March 2019 and signed on its behalf by:

BY ORDER OF THE BOARD

Secretary

Nairobi
28th March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Long term[1] business 2018 KShs '000	Short term[1] Business 2018 KShs '000	Total 2018 KShs '000	Total 2017 KShs '000
INCOME					
Gross premiums written		1,905,287	12,933,106	14,838,393	14,827,296
Less: change in unearned premiums	39	-	190,991	190,991	(600,239)
Less: retrocession premiums		(105,146)	(718,262)	(823,408)	(547,481)
NET EARNED PREMIUMS	**6**	**1,800,141**	**12,405,835**	**14,205,976**	**13,679,576**
Investment income	7	410,176	2,976,001	3,386,177	3,165,314
Commissions recovered		5,265	35,964	41,229	98,416
Fair value gains on revaluation of investment properties	18	64,586	332,625	397,211	672,077
Other income	8	-	54,876	54,876	70,282
Share of associate profits	19	-	180,865	180,865	504,069
TOTAL INCOME		**2,280,168**	**15,986,166**	**18,266,334**	**18,189,734**
CLAIMS AND BENEFITS					
Gross claims incurred and policy holder benefits	9	(931,699)	(8,524,518)	(9,456,217)	(8,110,686)
Less: Re-insurers share of claims and policy holder benefits	9	64,399	561,568	625,967	512,144
NET CLAIMS AND BENEFITS		**(867,300)**	**(7,962,950)**	**(8,830,250)**	**(7,598,542)**
Cedant acquisition costs	10(a)	(502,023)	(3,388,232)	(3,890,255)	(3,928,700)
Operating and other expenses	10(b)	(237,953)	(1,781,881)	(2,019,834)	(1,709,036)
Provision for doubtful debts	25	-	(424,145)	(424,145)	(394,905)
TOTAL CLAIMS, BENEFITS, AND OTHER EXPENSES		**(1,607,276)**	**(13,557,208)**	**(15,164,484)**	**(13,631,183)**
PROFIT BEFORE TAX		**672,892**	**2,428,958**	**3,101,850**	**4,558,551**
INCOME TAX EXPENSE	11(a)	(232,446)	(591,122)	(823,568)	(981,211)
PROFIT FOR THE YEAR		**440,446**	**1,837,836**	**2,278,282**	**3,577,340**
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss:					
Share of gain on property revaluation of associate	19	-	401	401	11,522
Remeasurement gains/ (losses) on defined benefit plans, net of tax	21	-	(22,305)	(22,305)	(36,882)
Items that may be reclassified subsequently to profit or loss:					
Reclassification adjustment relating to available-for-sale financial assets disposed in the year	7	-	(201,532)	(201,532)	(258,669)
Net gains / (losses) on revaluation of available-for-sale quoted equity instruments	27	-	(328,495)	(328,495)	315,208
Net gains on revaluation of available-for-sale government securities	28	-	46,896	46,896	47,323
Share of movement in associate reserves:					
– currency translation	19	-	(45,990)	(45,990)	(43,209)
– fair value reserve	19	-	35,649	35,649	19,113
TOTAL OTHER COMPREHENSIVE INCOME		**-**	**(515,376)**	**(515,376)**	**54,406**
TOTAL COMPREHENSIVE INCOME		**440,446**	**1,322,460**	**1,762,906**	**3,631,746**
EARNINGS PER SHARE - basic and diluted	12			3.25	5.11

[1]The comparatives are as disclosed in the segment reporting section in Note 5 to the financial statements.

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Long term[2] business 2018 KShs '000	Short term[2] Business 2018 KShs '000	Total 2018 KShs '000	Total 2017 KShs '000
INCOME					
Gross premiums written		1,900,423	12,146,618	14,047,041	13,992,143
Less: change in unearned premiums	39	-	208,661	208,661	(483,264)
Less: retrocession premiums		(105,146)	(698,812)	(803,958)	(547,481)
NET EARNED PREMIUMS	6	1,795,277	11,656,467	13,451,744	12,961,398
Investment income	7	410,176	2,955,067	3,365,243	3,146,422
Commissions recovered		5,265	29,156	34,421	98,416
Fair value gains on revaluation of investment properties	18	64,586	332,625	397,211	672,077
Other income	8	-	54,876	54,876	61,138
Share of associate profits	19	-	180,865	180,865	504,069
TOTAL INCOME		**2,275,304**	**15,209,056**	**17,484,360**	**17,443,520**
CLAIMS AND BENEFITS					
Gross claims incurred and policy holder benefits	9	(931,699)	(8,235,928)	(9,167,627)	(7,560,480)
Less: Re-insurers share of claims and policy holder benefits	9	64,399	561,568	625,967	512,144
NET CLAIMS AND BENEFITS		**(867,300)**	**(7,674,360)**	**(8,541,660)**	**(7,048,336)**
Cedant acquisition costs	10(a)	(502,023)	(3,148,358)	(3,650,381)	(3,729,966)
Operating and other expenses	10(b)	(237,953)	(1,662,615)	(1,900,568)	(1,637,378)
Provision for doubtful debts	25	-	(358,478)	(358,478)	(279,338)
TOTAL CLAIMS, BENEFITS AND OTHER EXPENSES		**(1,607,276)**	**(12,843,811)**	**(14,451,087)**	**(12,695,018)**
PROFIT BEFORE TAX		**668,028**	**2,365,245**	**3,033,273**	**4,748,502**
INCOME TAX EXPENSE	**11(a)**	**(232,446)**	**(591,122)**	**(823,568)**	**(981,211)**
PROFIT FOR THE YEAR		**435,582**	**1,774,123**	**2,209,705**	**3,767,291**
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss:					
Share of gain on property revaluation of associate	19	-	401	401	11,522
Remeasurement gains/ (losses) on defined benefit plans, net of tax	21	-	(22,305)	(22,305)	(36,882)
Items that may be reclassified subsequently to profit or loss:					
Reclassification adjustment relating to available-for-sale financial assets disposed in the year	7	-	(201,532)	(201,532)	(258,669)
Net (losses) / gains on revaluation of available-for-sale quoted equity instruments	27	-	(328,495)	(328,495)	315,208
Net gains on revaluation of available-for-sale government securities	28	-	46,896	46,896	47,323
Share of movement in associate reserves:					-
– currency translation	19	-	(45,990)	(45,990)	(43,209)
– fair value reserve	19	-	35,649	35,649	19,113
TOTAL OTHER COMPREHENSIVE INCOME		**-**	**(515,376)**	**(515,376)**	**54,406**
TOTAL COMPREHENSIVE INCOME		**435,582**	**1,258,747**	**1,694,329**	**3,821,697**
EARNINGS PER SHARE - basic and diluted	12			3.16	5.38

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Long term[3] business 2018 KShs '000	Short term[3] Business 2018 KShs '000	Total 2018 KShs '000	Total 2017 KShs '000
EQUITY					
Share capital	13	500,000	1,249,873	1,749,873	1,749,873
Revaluation reserve	14	-	15,718	15,718	15,317
Fair value reserve	14	(7,556)	(61,114)	(68,670)	378,812
Translation reserve	14	-	281,568	281,568	327,558
Statutory reserve	34	4,379,937	-	4,379,937	3,939,491
Retained earnings	14	-	22,014,607	22,014,607	20,794,033
TOTAL EQUITY		**4,872,381**	**23,500,652**	**28,373,033**	**27,205,084**
ASSETS					
Property and equipment	15	-	91,631	91,631	76,559
Intangible assets	16	364,719	223,537	588,256	536,122
Investment properties	18	1,675,000	8,430,000	10,105,000	9,622,000
Investment in associate	19	-	4,473,962	4,473,962	4,399,320
Unquoted equity instruments	22	-	202,231	202,231	202,231
Non-current assets held for sale	31	-	-	-	23,000
Mortgage loans	17	-	725,862	725,862	658,425
Corporate bonds	23	-	475,912	475,912	482,696
Receivables arising out of reinsurance and retrocession arrangements	24	220,391	3,452,785	3,673,176	4,315,378
Premium and loss reserves	25	-	271,655	271,655	306,956
Deferred acquisition costs	30	-	1,363,134	1,363,134	1,408,301
Other receivables	26	-	224,806	224,806	248,628
Income tax receivable	11(c)	303,359	138,617	441,976	126,869
Quoted equity instruments	27	287,773	1,311,658	1,599,431	2,107,855
Government securities	28	2,323,736	11,991,016	14,314,752	14,562,840
Inventory	29	-	13,590	13,590	19,897
Deposits with financial institutions	32	4,269,444	1,189,781	5,459,225	3,408,386
Cash and bank balances	33	6,761	331,274	338,035	227,204
TOTAL ASSETS		**9,451,183**	**34,911,451**	**44,362,634**	**42,732,667**
LIABILITIES					
Long term reinsurance contract liabilities	34	2,629,125	-	2,629,125	2,392,423
Short term reinsurance contracts liabilities	35	-	6,002,946	6,002,946	5,737,138
Deferred tax liability	37	1,850,773	(766,991)	1,083,782	944,987
Employee defined benefit liability	21	-	55,462	55,462	25,226
Payables arising out of reinsurance arrangements	36	98,904	450,562	549,466	670,487
Other payables	38	-	745,869	745,869	643,380
Unearned premiums	39	-	4,922,951	4,922,951	5,113,942
TOTAL LIABILITIES		**4,578,802**	**11,410,799**	**15,989,601**	**15,527,583**
NET ASSETS		**4,872,381**	**23,500,652**	**28,373,033**	**27,205,084**

The financial statements were approved by the board of directors on 28th March 2019 and were signed on its behalf by:

Jadiah Mwarania	**David Kemei**	**Anthony Munyao**
Principal Officer	Director	Director

[3] The comparatives are as disclosed in the segment reporting section in Note 5 to the financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Long term[4] business 2018 KShs '000	Short term[4] Business 2018 KShs '000	Total 2018 KShs '000	Total 2017 KShs '000
EQUITY					
Share capital	13	500,000	1,249,873	1,749,873	1,749,873
Revaluation reserve	14	-	15,718	15,718	15,317
Fair value reserve	14	(7,556)	(61,114)	(68,670)	378,812
Translation reserve	14	-	282,348	282,348	328,338
Statutory reserve	34	4,320,953	-	4,320,953	3,885,371
Retained earnings	14	-	22,165,652	22,165,652	21,008,791
TOTAL EQUITY		**4,813,397**	**23,652,477**	**28,465,874**	**27,366,502**
ASSETS					
Property and equipment	15		68,541	68,541	56,962
Intangible assets	16	364,719	223,537	588,256	536,122
Investment properties	18	1,675,000	8,430,000	10,105,000	9,622,000
Investment in associate	19	-	4,473,962	4,473,962	4,399,320
Investment in subsidiary companies	20	-	187,782	187,782	187,782
Unquoted equity instruments	22		202,231	202,231	202,231
Non-current assets held for sale	31	-	-	-	23,000
Mortgage loans	17	-	716,550	716,550	658,423
Corporate bonds	23		475,912	475,912	482,696
Receivables arising out of reinsurance and retrocession arrangements	24	197,772	3,098,428	3,296,200	3,988,095
Premium and loss reserves	25	-	170,731	170,731	184,420
Deferred acquisition costs	30	-	1,249,752	1,249,752	1,318,322
Due from related party	42	-	93,820	93,820	63,438
Other receivables	26	-	212,125	212,125	228,918
Income tax receivable	11(c)	224,675	186,281	410,956	95,850
Quoted equity instruments	27	287,773	1,311,658	1,599,431	2,107,855
Government securities	28	2,323,736	11,991,016	14,314,752	14,562,840
Inventory	29	-	13,492	13,492	19,897
Deposits with financial institutions	32	4,292,169	920,336	5,212,505	3,092,508
Cash and bank balances	33	6,761	154,455	161,216	153,247
TOTAL ASSETS		**9,372,605**	**34,180,609**	**43,553,214**	**41,983,926**
LIABILITIES					
Long term reinsurance contract liabilities	34	2,629,125	-	2,629,125	2,392,423
Short term reinsurance contracts liabilities	35	-	5,553,840	5,553,840	5,319,405
Payables arising out of reinsurance arrangements	36	79,310	361,301	440,611	480,676
Deferred tax liability	37	1,850,773	(766,991)	1,083,782	944,987
Employee defined benefit liability	21		55,462	55,462	25,226
Due to related party	42	-	43,091	43,091	61,380
Other payables	38	-	708,769	708,769	612,005
Unearned premiums	39	-	4,572,660	4,572,660	4,781,322
TOTAL LIABILITIES		**4,559,208**	**10,528,132**	**15,087,340**	**14,617,424**
NET ASSETS		**4,813,397**	**23,652,477**	**28,465,874**	**27,366,502**

The financial statements were approved by the board of directors on 28th March 2019 and were signed on its behalf by:

Jadiah Mwarania
Principal Officer

David Kemei
Director

Anthony Munyao
Director

[4] The comparatives are as disclosed in the segment reporting section in Note 5 to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share capital KShs '000	Revaluation reserve KShs '000	Fair value reserve KShs '000	Translation reserve KShs '000	Statutory reserve KShs '000	Retained earnings KShs '000	Total KShs '000
At 1 January 2017		1,749,873	3,795	255,837	370,767	3,502,132	18,250,893	24,133,297
Profit for the year		-	-	-	-	437,359	3,139,981	3,577,340
Other comprehensive income		-	11,522	122,975	(43,209)	-	(36,882)	54,406
Total comprehensive income		**-**	**11,522**	**122,975**	**(43,209)**	**437,359**	**3,103,099**	**3,631,746**
Dividends declared – 2016	40	-	-	-	-	-	(559,959)	(559,959)
At 31 December 2017		**1,749,873**	**15,317**	**378,812**	**327,558**	**3,939,491**	**20,794,033**	**27,205,084**
At 1 January 2018		1,749,873	15,317	378,812	327,558	3,939,491	20,794,033	27,205,084
Profit for the year		-	-	-	-	440,446	1,837,836	2,278,282
Other comprehensive income		-	401	(447,482)	(45,990)	-	(22,305)	(515,376)
Total comprehensive income		**-**	**401**	**(447,482)**	**(45,990)**	**440,446**	**1,815,531**	**1,762,906**
Dividends declared – 2017	40	-	-	-	-	-	(594,957)	(594,957)
At 31 December 2018		**1,749,873**	**15,718**	**-68,670**	**281,568**	**4,379,937**	**22,014,607**	**28,373,033**

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share capital KShs '000	Revaluation reserve KShs '000	Fair value reserve KShs '000	Translation reserve KShs '000	Statutory reserve KShs '000	Retained earnings KShs '000	Total KShs '000
At 1 January 2017		1,749,873	3,795	255,837	371,547	3,496,869	18,226,843	24,104,764
Profit for the year		-	-	-	-	388,502	3,378,789	3,767,291
Other comprehensive income		-	11,522	122,975	(43,209)	-	(36,882)	54,406
Total comprehensive income		**-**	**11,522**	**122,975**	**(43,209)**	**388,502**	**3,341,907**	**3,821,697**
Dividends declared – 2016	40	-	-	-	-	-	(559,959)	(559,959)
At 31 December 2017		**1,749,873**	**15,317**	**378,812**	**328,338**	**3,885,371**	**21,008,791**	**27,366,502**
At 1 January 2018		1,749,873	15,317	378,812	328,338	3,885,371	21,008,791	27,366,502
Profit for the year		-	-	-	-	435,582	1,774,123	2,209,705
Other comprehensive income		-	401	(447,482)	(45,990)	-	(22,305)	(515,376)
Total comprehensive income		**-**	**401**	**(447,482)**	**(45,990)**	**435,582**	**1,751,818**	**1,694,329**
Dividends declared – 2017	40	-	-	-	-	-	(594,957)	(594,957)
At 31 December 2018		**1,749,873**	**15,718**	**(68,670)**	**282,348**	**4,320,953**	**22,165,652**	**28,465,874**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 KShs '000	2017 KShs '000
Net cash generated from operations	41	1,210,624	1,683,873
Interest received on corporate bonds		58,004	59,530
Interest received on government securities		1,823,523	1,226,804
Interest received on staff mortgages and loans		18,745	16,411
Interest received on deposits with financial institutions		215,445	304,967
Interest received on commercial mortgages		47,828	54,748
Tax paid in the year	11(c)	(999,879)	(1,248,195)
Net cash generated from operating activities		**2,374,290**	**2,098,138**
Cash flows from investing activities			
Purchase of investment property	18	(85,789)	(46,923)
Purchase of property and equipment	15	(49,572)	(30,040)
Proceeds on sale of property and equipment		-	765
Proceeds on disposal of non-current assets held for sale		-	15,500
Purchase of intangible assets	16	(194,395)	(252,620)
Purchase of government securities	28	(7,751,243)	(5,401,776)
Proceeds on maturity of government securities	28	8,009,796	2,876,600
Proceeds on sale of quoted equity instruments	27	259,376	273,605
Proceeds on redemption of corporate bonds	23	5,925	5,925
Dividends received on quoted equity instruments		187,742	111,489
Net cash generated from/ (used in) investing activities		**381,840**	**(2,447,475)**
Cash flows used in financing activities			
Dividends paid	**40**	**(594,957)**	**(559,959)**
Net increase/ (decrease) in cash and cash equivalents		**2,161,173**	**(909,296)**
Cash and cash equivalents at 1 January		**3,635,590**	**4,545,481**
Effect of unrealised exchange rate changes		**497**	**(595)**
Cash and cash equivalent at 31 December	**33**	**5,797,260**	**3,635,590**

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 KShs '000	2017 KShs '000
Net cash generated from operations	41	1,196,722	1,581,939
Interest received on corporate bonds		58,004	59,530
Interest received on government securities		1,823,523	1,226,804
Interest received on staff mortgages and loans		18,348	16,200
Interest received on deposits with financial institutions		184,563	286,284
Interest received on commercial mortgages		47,828	54,748
Tax paid in the year	11(c)	(999,879)	(1,248,194)
Net cash generated from operating activities		**2,329,109**	**1,977,311**
Cash flows from investing activities			
Purchase of investment property	18	(85,789)	(46,923)
Purchase of property and equipment	15	(37,940)	(10,916)
Proceeds on sale of property and equipment		-	765
Proceeds on disposal of non-current assets held for sale		-	15,500
Purchase of intangible assets	16	(194,395)	(252,620)
Purchase of government securities	28	(7,117,235)	(5,401,776)
Proceeds on maturity of government securities	28	7,375,788	2,876,600
Proceeds on sale of quoted equity instruments	27	259,376	273,605
Proceeds on redemption of corporate bonds	23	5,925	5,925
Dividends received on quoted equity instruments		187,742	111,489
Net cash generated from/ (used in) investing activities		**393,472**	**(2,428,351)**
Cash flows used in financing activities			
Dividends paid	**40**	**(594,957)**	**(559,959)**
Net increase/ (decrease) in cash and cash equivalents		**2,127,624**	**(1,010,999)**
Cash and cash equivalents at 1 January		**3,245,755**	**4,257,349**
Effect of unrealised exchange rate changes		**342**	**(595)**
Cash and cash equivalent at 31 December	**33**	**5,373,721**	**3,245,755**

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 purposes of reporting under the Kenyan Companies Act, 2015, the balance sheet in these financial statements is represented by the statement of financial position and the profit and loss account is represented by 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 2018. 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.

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 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.

(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.

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, which is 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) New and amended standards and interpretations

The Group applied for the first-time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2018. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The nature and the impact of each new standard and amendment is described below. Although these new standards and amendments applied for the first time in 2018, they did not have a material impact on the annual consolidated financial statements of the Group.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 requires entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures. The Group's main revenue streams include premiums from insurance contracts, rental income from lease contracts and investment income from financial assets. These revenue streams are scoped out of IFRS 15, and hence the new standard did not have significant impact on initial application.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

As required by the Standards, in 2016, the Group performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its balance sheet and equity, except for the effect of applying the impairment requirements of IFRS 9. The Group expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent.

The group met the eligibility criteria of the temporary exemption from IFRS 9 and opted to defer the application of IFRS 9 until the effective date of the new insurance contracts standard (IFRS 17) of annual reporting periods beginning on or after 1 January 2022, applying the temporary exemption from applying IFRS 9 as introduced by the amendments (see below).

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 new insurance contracts standard (IFRS 17).

The amendments introduce two alternative options of applying IFRS 9 for entities issuing contracts within the scope of IFRS 4: 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 2022 and continue to apply IAS 39 to financial assets and liabilities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (continued)

An entity may apply the temporary exemption from IFRS 9 if: (i) it has not previously applied any version of IFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as FVPL; 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 certain 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.

During 2016, the Group performed an assessment of the amendments and reached the conclusion that its activities are predominantly connected with insurance as at 31 December 2015. During 2018, there had been no significant change in the activities of the Group that requires reassessment. The Group opted to apply the temporary exemption from IFRS 9 and, therefore, continued to apply IAS 39 to its financial assets and liabilities in its reporting period starting on 1 January 2018.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

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 the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's consolidated financial statements since the Group's current practice is in line with the Interpretation.

Amendments to IAS 40 Transfers of Investment Property

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. These amendments did not have any impact on the Group's consolidated financial statements as there were no transfers into or out of investment property during the year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

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. The Group's accounting policy for cash-settled share-based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Group's consolidated financial statements.

Improvements to 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

The amendments clarify that:

o 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.

o 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 amendments should be applied retrospectively and are effective 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact. These amendments are not applicable to the Group.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Standards issued but not yet effective

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

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17. This will not have a material impact on the Group as it is mainly a lessor.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short-duration which typically applies to certain non-life insurance contracts.

The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period)
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Standards issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

IFRS 17 was initially effective for annual reporting periods beginning on or after 1 January 2021. On 14 November 2018, the International Accounting Standards Board (IASB or the Board) tentatively decided to amend the effective date of IFRS 17 to reporting periods beginning on or after 1 January 2022. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

The Group plans to adopt the new standard on the required effective date together with IFRS 9. The Group expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Group and is likely to have a significant impact on profit and total equity together with presentation and disclosure.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Standards issued but not yet effective (continued)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply the interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the consolidated financial statements of the Group.

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

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of 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. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when the effective is determined.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Standards issued but not yet effective (continued)

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures. The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Standards issued but not yet effective (continued)

Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements include:

- IFRS 3 Business Combinations
  The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation. An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will apply on future business combinations of the Group.

- IFRS 11 Joint Arrangements
  A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured. An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- IAS 12 Income Taxes
  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

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.

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

General reinsurance written 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.

Recurring premiums on life contracts are recognised as revenue when payable by the policy holder. For single premium business, revenue is recognised on the date on which the policy is effective. Outward retrocession premiums are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective.

b. Claims incurred

General reinsurance 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").

Benefits and claims for life reinsurance contracts include the cost of all claims arising during the year, including: internal and external claims handling costs that are directly related to the processing and settlement of claims. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

c. Cedant acquisition costs and deferred acquisition costs

For general reinsurance business 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. Cedant acquisition costs on life reinsurance contracts are recognised as an expense when incurred.

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.

The Group 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 are established as a proportion of gross annual premiums written. Each type or class of ordinary life business is valued as a different percentage of annual office premiums written.

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.

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

The Group's consolidated financial statements are presented in Kenya Shillings (KShs), which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Difference arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively)

(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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property and equipment

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

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 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%

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(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.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

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. Recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. 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 recognised in OCI up to the amount of any previous revaluation. 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.

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.

Group as a lessor

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

Group 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 subsidiaries.

(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.

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 Group'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 group's interest in the associate are recognised only to the extent that the Group 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Financial instruments (continued)

Classification (continued)

Loans and receivables (continued)
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. In the case of financial assets held to maturity, impairment of is assessed based on the same criteria as loans and receivables.

Available-for-sale (AFS) 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.

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from OCI and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Financial instruments (continued)

Financial assets (continued)

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

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of financial assets carried at fair value through profit or loss are included in profit or loss in the period in which they arise.

Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments fair value reserve is reclassified to profit or loss.

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

Financial liabilities

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

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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:

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

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.

Assessment of significant influence over an associate

The Group considers that it has significant influence over Zep –Re Limited though it owns less than the 20% of the voting power of the company. This is because the Group is the single largest shareholder of Zep-Re Limited with a 19.13% (2017: 18.97%) interest of the equity interest. The remaining 80.87% (2017: 80.77%) 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 2014 to 31 December 2018). 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.

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

Valuation of insurance contract liabilities (continued)
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.

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.

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

Impairment losses (continued)

(d) the carrying amount of the net assets of the entity is more than its market capitalisation.

(e) evidence is available of obsolescence or physical damage of an asset.

(f) significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.

Revaluation of investment properties

The Group carries all its investment properties at fair value, with 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 2018 on the basis of open market value by independent valuer, Caroline N. Nyororo - P/No. 0002566 of Ebony Estates Limited. Further details are disclosed in note 18.

Contingent liabilities

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

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

Further details are disclosed in note 44

Defined benefit plans (pension benefits)

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details are disclosed in note 21.

Tax

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

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES

The 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

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT"D)

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 net 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.

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT"D)

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

	GROUP		COMPANY	
	2018 KShs '000	2017 KShs '000	2018 KShs '000	2017 KShs '000
Financial assets				
Held to maturity:				
- Government securities	13,226,931	13,521,865	13,226,931	13,521,865
- Corporate bonds	475,912	482,696	475,912	482,696
Available for sale				
- Government securities	1,087,821	1,040,975	1,087,821	1,040,975
- Quoted equities	1,599,431	2,107,855	1,599,431	2,107,855
- Unquoted equities	202,231	202,231	202,231	202,231
Loans and receivables				
Receivables arising out of reinsurance arrangements	3,673,176	4,315,378	3,296,200	3,988,095
Cash and bank balances	338,035	227,204	161,216	153,247
Due from related parties	-	-	93,820	63,438
Deposits with financial institutions	5,459,225	3,408,386	5,212,505	3,092,508
Premium and loss reserves	271,655	306,956	170,731	184,420
Mortgage loans	725,862	658,425	716,550	658,423
Other receivables	198,151	235,082	192,948	215,653
Total financial assets and receivables arising from reinsurance arrangements	**27,258,430**	**26,507,053**	**26,436,296**	**25,711,406**
Financial liabilities at amortised cost				
Payables arising out of reinsurance arrangements	549,466	670,487	440,611	480,676
Other payables	553,262	630,414	530,256	599,352
Total financial liabilities and payables arising from reinsurance arrangements	**1,102,728**	**1,300,901**	**970,867**	**1,080,028**
Insurance contract liabilities				
Long term liabilities	2,629,125	2,392,423	2,629,125	2,392,423
Short term liabilities	6,002,946	5,737,138	5,553,840	5,319,405
Total insurance contract liabilities	**8,632,071**	**8,129,561**	**8,182,965**	**7,711,828**

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

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT"D)

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

GROUP

31 December 2018	Carrying Amount KShs '000	No stated maturity KShs '000	Contractual cash flows (undiscounted) 0-1 years KShs '000	1-5 years KShs '000	>5 years KShs '000
Financial asset					
Held to maturity:					
- Government securities	13,226,931	-	610,000	7,535,800	10,733,650
- Corporate bonds	475,912	-	255,925	305,512	-
Available for sale					
- Quoted equities	1,599,431	1,599,431	-	-	-
- Government securities	1,087,821	-	-	520,000	802,500
- Unquoted equities	202,231	202,231	-	-	-
Loans and receivables					
Receivables arising out of reinsurance arrangements	3,673,176	3,673,176	-	-	-
Other receivables	198,151	198,151	-	-	-
Premium loss reserves	271,655	271,655	-	-	-
Mortgage loans	725,862	-	35,890	99,520	611,355
Cash and cash equivalents	5,797,260	-	5,797,260	-	-
Total	**27,258,430**	**5,944,644**	**6,699,075**	**8,460,832**	**12,147,505**
Financial liabilities at amortised cost					
Payables arising out of reinsurance arrangements	549,466	549,466	-	-	-
Other payables	553,262	553,262	-	-	-
Total financial liabilities	**1,102,728**	**1,102,728**	**-**	**-**	**-**
Reinsurance liabilities					
Long term liabilities	2,629,125	2,629,125	-	-	-
Short term liabilities	6,002,946	6,002,946	-	-	-
Total	**9,734,799**	**9,734,799**			
Net gap	**17,523,631**	**(3,790,155)**	**6,699,075**	**8,460,832**	**12,147,505**

NOTES TO THE FINANCIAL STATEMENTS (CONT"D)

FOR THE YEAR ENDED 31 DECEMBER 2018

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT"D)

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

COMPANY

	Carrying Amount	No stated maturity	Contractual cash flows (undiscounted) 0-1 years	1-5 years	>5 years
31 December 2018					
Held to maturity:					
- Government securities	13,226,931	-	610,000	7,535,800	10,733,650
- Corporate bonds	475,912	-	255,925	305,512	-
Available for sale					
-Quoted equities	1,599,431	1,599,431	-	-	-
-Government securities	1,087,821	-	-	520,000	802,500
-Unquoted equities	202,231	202,231	-	-	-
Loans and receivables					
Receivables arising out of reinsurance arrangements	3,296,200	3,296,200	-	-	-
Due from related parties	93,820	93,820	-	-	-
Other receivables	192,948	192,948	-	-	-
Premium loss reserves	170,731	170,731	-	-	-
Mortgage loans	716,550	-	34,890	99,300	611,355
Cash and cash equivalents	5,373,721	-	5,373,721	-	-
Total	**26,436,296**	**5,555,361**	**6,274,536**	**8,460,612**	**12,147,505**
Financial liabilities at amortised cost					
Payables arising out of reinsurance arrangements	440,611	440,611	-	-	-
Other payables	530,256	530,256	-	-	-
Total financial liabilities	**970,867**	**970,867**	**-**	**-**	**-**
Reinsurance liabilities					
Long term liabilities	2,629,125	2,629,125	-	-	-
Short term liabilities	5,553,840	5,553,840	-	-	-
Total	**9,153,832**	**9,153,832**	**-**	**-**	**-**
Net gap	**17,282,464**	**(3,598,471)**	**6,274,536**	**8,460,612**	**12,147,505**

NOTES TO THE FINANCIAL STATEMENTS (CONT"D)

FOR THE YEAR ENDED 31 DECEMBER 2018

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT"D)

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

GROUP

31 December 2017	Carrying Amount KShs '000	No stated maturity KShs '000	Contractual cash flows (undiscounted) 0-1 years KShs '000	1-5 years KShs '000	>5 years KShs '000
Financial asset					
Held to maturity:					
- Government securities	13,521,865	-	49,547	4,922,054	15,880,141
- Corporate bonds	482,696	-	-	482,696	-
Available for sale					
-Quoted equities	2,107,855	2,107,855	-	-	-
-Government securities	1,040,975	-	-	-	1,974,784
-Unquoted equities	202,231	202,231	-	-	-
Loans and receivables					
Receivables arising out of reinsurance arrangements	4,315,378	4,315,378	-	-	-
Other receivables	235,082	235,082	-	-	-
Premium loss reserves	306,956	306,956	-	-	-
Mortgage loans	658,425	-	39,435	33,461	585,529
Cash and cash equivalents	3,635,590	-	3,635,590	-	-
Total	**26,507,053**	**7,167,502**	**3,724,572**	**5,438,211**	**18,440,454**
Financial liabilities at amortised cost					
Payables arising out of reinsurance arrangements	670,488	670,488	-	-	-
Other payables	630,414	630,414	-	-	-
Total financial liabilities	**1,300,902**	**1,300,902**	**-**	**-**	**-**
Reinsurance liabilities					
Long term liabilities	2,392,423	2,392,423	-	-	-
Short term liabilities	5,737,138	5,737,138	-	-	-
Total	**8,129,561**	**8,129,561**	**-**	**-**	**-**
Net gap	**17,076,590**	**(2,262,961)**	**3,724,572**	**5,438,211**	**18,440,454**

NOTES TO THE FINANCIAL STATEMENTS (CONT"D)

FOR THE YEAR ENDED 31 DECEMBER 2018

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT"D)

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

COMPANY

31-December 2017	Carrying Amount	No stated maturity	Contractual cash flows (undiscounted) 0-1 years	1-5 years	>5 years
Held to maturity:					
- Government securities	13,521,865	-	49,547	4,922,054	15,880,141
- Corporate bonds	482,696	-	-	482,696	-
Available for sale					
- Quoted equities	2,107,855	2,107,855	-	-	-
- Government securities	1,040,975	-	-	-	1,974,784
- Unquoted equities	202,231	202,231	-	-	-
Loans and receivables					
Receivables arising out of reinsurance arrangements	3,988,095	3,988,095	-	-	-
Due from related parties	63,438	63,438	-	-	-
Other receivables	215,653	215,653	-	-	-
Premium loss reserves	184,420	184,420	-	-	-
Mortgage loans	658,423	-	39,435	33,461	585,527
Cash and cash equivalents	3,245,755	-	3,245,755	-	-
Total	**25,711,406**	**6,761,692**	**3,334,737**	**5,438,211**	**18,440,452**
Financial liabilities at amortised cost					
Payables arising out of reinsurance arrangements	480,676	480,676	-	-	-
Other payables	599,352	599,352	-	-	-
Total financial liabilities	**1,080,028**	**1,080,028**	**-**	**-**	**-**
Reinsurance liabilities					
Long term liabilities	2,392,423	2,392,423	-	-	-
Short term liabilities	5,319,405	5,319,405	-	-	-
Total	**7,711,828**	**7,711,828**	**-**	**-**	**-**
Net gap	**16,919,550**	**(2,030,164)**	**3,334,737**	**5,438,211**	**18,440,452**

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT"D)

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 liabilities 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.

The analysis of the liquidity position of the Group's financial liabilities is as disclosed in the table above.

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT"D)

(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	
	2018 KShs'000	2017 KShs'000	2018 KShs'000	2017 KShs'000
Assets in foreign currencies				
Trade and other receivables	3,831,077	4,082,918	3,537,650	3,613,958
Premiums and loss reserves	1,068,567	999,250	912,419	896,963
Deposits with financial institutions	1,163,374	1,419,298	1,108,251	1,103,420
Cash and bank	266,794	43,210	45,240	492
Foreign currency assets	6,329,812	6,544,676	5,512,632	5,614,833
Liabilities in foreign currencies				
Payables	(336,903)	(516,213)	(228,048)	(326,402)
Net foreign currency (liability)/ asset position	5,992,909	6,028,463	5,284,584	5,288,431

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT"D)

(b) Market risk (continued)

Current rate 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**
2018 Increase in US$ by 10%	601,532	421,072	501,492	351,045
Decrease in US$ by 10%	(601,532)	(421,072)	(501,492)	(351,045)
2017 Increase in US$ by 10%	602,846	421,992	528,843	370,190
Decrease in US$ by 10%	(602,846)	(421,072)	(528,843)	(370,190)

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 1,599 million (2017: KShs 2,108). An increase/decrease of 15 % in the value of the listed equity would result in a decrease / increase in profits of KShs 240 million (2017:316 KShs million) and an increase/decrease in equity by KShs 168 million (2017: KShs 221 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.

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT"D)

(c) Credit risk (continued)

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. 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	
	2018 KShs '000	2017 KShs '000	2018 KShs '000	2017 KShs '000
Government securities	14,314,752	14,562,840	14,314,752	14,562,840
Corporate bonds	475,912	482,696	475,912	482,696
Loans and receivables at amortized cost:				
Deposits with financial institutions	5,459,225	3,408,386	5,212,505	3,092,508
Mortgage loans	725,862	658,425	716,550	658,423
Receivables arising out of reinsurance arrangements	3,673,176	4,315,378	3,296,200	3,988,095
Premium and loss reserves (note 25)	271,655	306,956	170,731	184,420
Bank balances	338,035	227,054	161,216	153,543
Other receivables	198,151	248,628	192,948	228,918
Total assets bearing credit risk	**25,456,768**	**24,210,363**	**24,540,814**	**23,350,997**
Receivables arising out of reinsurance arrangements are summarized as follows:				
Neither past due nor impaired	711,762	813,442	655,908	698,901
Past due but not impaired:				
- up to 91 to 365 days	2,597,586	2,635,076	2,289,764	2,531,818
- up to 1 to 2 years	363,828	866,860	350,528	757,376
- Impaired	2,004,593	1,475,095	1,705,142	1,257,110
	5,677,769	**5,790,473**	**5,001,342**	**5,245,205**
Less: provision for impairment (note 24)	(2,004,593)	(1,475,095)	(1,705,142)	(1,257,110)
Total	**3,673,176**	**4,315,378**	**3,296,200**	**3,988,095**

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT"D)

(c) Credit risk (continued)

Mortgage loans are summarized as follows:

	GROUP 2018 KShs '000	GROUP 2017 KShs '000	COMPANY 2018 KShs '000	COMPANY 2017 KShs '000
Neither past due nor impaired	721,687	645,116	712,478	645,114
Past due but not impaired:				
-0 to 60 days	648	2,630	545	2,630
-61 to 120 days	1,160	6,986	1,160	6,986
-121 to 180 days	2,367	3,693	2,367	3,693
Impaired	146,404	135,917	146,404	135,917
	872,266	794,342	862,954	794,340
Less: provision for impairment (note 17)	(146,404)	(135,917)	(146,404)	(135,917)
Total	**725,862**	**658,425**	**716,550**	**658,423**

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.

GROUP	Level 1 KShs '000	Level 2 KShs '000	Level 3 KShs '000	Total KShs '000
At 31 December 2018:				
Government securities	12,456,287	-	-	12,456,287
Corporate bonds	462,867	-	-	462,867
At 31 December 2017:				
Government securities	9,965,446	-	-	9,965,446
Corporate bonds	474,638	-	-	474,638
COMPANY				
At 31 December 2018:				
Government securities	12,456,287	-	-	12,456,287
Corporate bonds	462,867	-	-	462,867
At 31 December 2017:				
Government securities	9,965,446	-	-	9,965,446
Corporate bonds	474,638	-	-	474,638

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT"D)

(ii) Fair value hierarchy (continued)

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. However, the unquoted equity instruments have been stated at cost less any impairment loss for the year.

GROUP	Level 1 KShs '000	Level 2 KShs '000	Level 3 KShs '000	Total KShs '000
At 31 December 2018				
Government securities	1,087,821	-	-	1,087,821
Quoted equity instruments	1,599,431	-	-	1,599,431
Investment properties	-	-	10,105,000	10,105,000
At 31 December 2017				
Government securities	1,040,975	-	-	1,040,975
Quoted equity instruments	2,107,855	-	-	2,107,855
Investment properties	-	-	9,622,000	9,622,000
COMPANY				
At 31 December 2018				
Government securities	1,087,821	-	-	1,087,821
Quoted equity instruments	1,599,431	-	-	1,599,431
Investment properties	-	-	10,105,000	10,105,000
At 31 December 2017				
Government securities	1,040,975	-	-	1,040,975
Quoted equity instruments	2,107,855	-	-	2,107,855
Investment properties	-	-	9,622,000	9,622,000

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.

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT"D)

(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 2018 and 2017 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	-

- 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 2018.

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 2018, the Group had complied with the externally imposed capital requirements. The Kenya Reinsurance Corporation Cote d'ivoire Subsidiary is required by CIMA regulation article 810 on share capital to have a registered capital of at least ten billion (10,000,000,000) FCFA equivalent to KShs 1,768,127,729 by 15 November 2020.

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.

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.

5. SEGMENTAL REPORTING (continued)

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

	GROUP 2018 KShs'000	GROUP 2017 KShs'000	COMPANY 2018 KShs'000	COMPANY 2017 KShs'000
Gross earned premiums				
General insurance business	12,933,106	13,196,958	12,146,618	12,365,408
Life business	1,905,287	1,630,338	1,900,423	1,626,735
	14,838,393	**14,827,296**	**14,047,041**	**13,992,143**
Investment income:				
General insurance business				
Rental income from investment properties	828,994	687,963	828,994	687,963
Interest on Government securities held to maturity	1,498,428	1,237,396	1,498,428	1,237,396
Gain on sale of available-for-sale quoted equity instruments	201,532	258,669	201,532	258,669
Dividends receivable on available for sale quoted equity instruments	124,772	92,702	124,772	92,702
Interest on commercial mortgages	51,116	54,896	51,116	54,896
Interest on deposits with financial institutions- held to maturity	195,269	252,272	174,732	236,818
Interest on corporate bonds- held to maturity	57,145	49,821	57,145	49,821
Profit on sale of non-current asset held for sale	-	10,402	-	10,402
Interest on staff mortgages and loans	18,745	16,411	18,348	16,200
	2,976,001	**2,660,532**	**2,955,067**	**2,644,867**
Life assurance business				
Rental income from investment properties	46,414	143,705	46,414	143,705
Interest on Government securities held to maturity	263,917	258,473	263,917	258,473
Dividends receivable on available-for-sale quoted equity instruments	44,466	19,364	44,466	19,364
Interest on deposits with financial institutions- held to maturity	55,379	52,696	55,379	49,468
Interest on corporate bonds- held to maturity	-	10,407	-	10,407
	410,176	**484,645**	**410,176**	**481,417**
Total investment income	**3,386,177**	**3,145,177**	**3,365,243**	**3,126,284**

5. SEGMENTAL REPORTING (continued)

Other disclosures:

GROUP	General Insurance business KShs'000	Life Assurance Business KShs'000	Total 2018 KShs'000	Total 2017 KShs'000
Reportable segment profits before tax	2,428,958	672,892	3,101,850	4,558,551
Income tax expense	(591,122)	(232,446)	(823,568)	(981,211)
Reportable segment profits after tax	1,837,836	440,446	2,278,282	3,577,340
Reportable segment total assets	34,911,451	9,451,183	44,362,634	42,732,667
Less:				
: Related party balances	-	-	-	-
Net	**34,911,451**	**9,451,183**	**44,362,634**	**42,732,667**
Reportable segment total liabilities	11,410,799	4,578,802	15,989,601	15,527,583
Less:				
: Related party balances	-	-	-	-
Net	**11,410,799**	**4,578,802**	**15,989,601**	**15,527,583**
Fees and commission income	35,974	5,255	41,229	98,416
Depreciation of property and equipment	30,197	4,455	34,652	39,505
Amortisation of intangible assets	124,236	18,179	142,415	45,356
Property and equipment additions	49,724	-	49,724	30,040
Intangible assets additions	194,395	-	194,395	252,620
Share of associates profit	180,865	-	180,865	504,069

COMPANY	General Insurance Business KShs'000	Life Assurance Business KShs'000	Total 2018 KShs'000	Total 2017 KShs'000
Reportable segment profits before tax	2,365,245	668,028	3,033,273	4,748,502
Income tax expense	(591,122)	(232,446)	(823,568)	(981,211)
Reportable segment profits after tax	1,774,123	435,582	2,209,705	3,767,291
Reportable segment total assets	34,180,609	9,372,605	43,553,214	41,983,926
Less:				
: Related party balances	(93,820)	-	(93,820)	(63,438)
: Investment in subsidiaries	(187,782)	-	(187,782)	(187,782)
Reportable segment total assets-Net	33,899,007	9,372,605	43,271,612	41,732,706

5. SEGMENTAL REPORTING (continued)

Other disclosures (continued):

COMPANY (continued)	General Insurance business KShs'000	Life Assurance Business KShs'000	Total 2018 KShs'000	Total 2017 KShs'000
Reportable segment total liabilities	10,528,132	4,559,208	15,087,340	14,617,424
Less:				
: Related party balances	(43,092)	-	(43,092)	(61,380)
Net	**10,485,040**	**4,559,208**	**15,044,248**	**14,556,044**
Fees and commission income	29,156	5,265	34,421	98,416
Depreciation of property and equipment	22,022	4,339	26,361	33,742
Amortisation of intangible assets	123,119	19,296	142,415	45,356
Property and equipment additions	37,940	-	37,940	10,916
Intangible assets additions	194,395	-	194,395	252,620
Share of associates profit	180,865	-	180,865	504,069

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	
	2018 KShs'000	2017 KShs'000	2018 KShs'000	2017 KShs'000
Super annuation	1,751,438	1,361,922	1,736,061	1,374,906
Ordinary life	48,703	133,038	48,703	116,451
Engineering	884,343	830,770	788,505	766,910
Fire	3,783,844	3,719,112	3,307,521	3,319,925
Marine	582,582	638,270	525,540	574,749
Medical	2,986,865	3,367,973	2,986,284	3,367,973
Personal accident	271,201	590,957	259,480	531,185
Motor	754,979	680,158	695,554	631,296
Miscellaneous (incl. Theft)	3,142,021	2,357,376	3,104,096	2,278,003
TOTAL	**14,205,976**	**13,679,576**	**13,451,744**	**12,961,398**

NOTES TO THE FINANCIAL STATEMENTS (CONT"D)

FOR THE YEAR ENDED 31 DECEMBER 2018

7. INVESTMENT INCOME

	GROUP 2018 KShs'000	GROUP 2017 KShs'000	COMPANY 2018 KShs'000	COMPANY 2017 KShs'000
Rental income from investment properties	875,408	831,668	875,408	831,668
Interest on Government securities held to maturity	1,632,802	1,366,326	1,632,802	1,366,326
Interest income on available for sale Government securities	129,543	129,543	129,543	129,543
Gain on sale of available for sale quoted equity instruments	201,532	258,669	201,532	258,669
Dividends receivable on available- for sale quoted equity instruments	169,238	112,069	169,238	112,069
Interest on commercial mortgages	51,116	54,896	51,116	54,896
Interest on deposits with financial institutions-held to maturity	250,441	325,102	230,110	306,421
Interest on corporate bonds – held to maturity	57,145	60,228	57,145	60,228
Profit on sale of non-current assets held for sale	-	10,402	-	10,402
Interest on staff mortgages and loans	18,952	16,411	18,348	16,200
Total investment income	**3,386,177**	**3,165,314**	**3,365,242**	**3,146,422**

8. OTHER INCOME

	GROUP 2018 KShs'000	GROUP 2017 KShs'000	COMPANY 2018 KShs'000	COMPANY 2017 KShs'000
COMESA Yellow Card income	50,464	51,817	50,464	51,816
Gain on disposal of property and equipment	-	687	-	687
Miscellaneous income*	4,412	17,778	4,412	8,635
	54,876	**70,282**	**54,876**	**61,138**

9. CLAIMS INCURRED

	GROUP 2018 KShs'000	GROUP 2017 KShs'000	COMPANY 2018 KShs'000	COMPANY 2017 KShs'000
Claims paid	8,953,707	7,689,076	8,665,117	7,252,568
Changes in the provision for outstanding claims incurred but not reported (IBNR)	265,808	206,588	265,808	92,890
Increase/ (decrease) in actuarial liability on long term insurance contracts (Note 34)	236,702	215,022	236,702	215,022
Gross claims incurred	9,456,217	8,110,686	9,167,627	7,560,480
Less: Amounts recoverable from retrocessionaires	(625,967)	(512,144)	(625,967)	(512,144)
Net claims incurred	**8,830,250**	**7,598,542**	**8,541,660**	**7,048,336**

10 (a). CEDANT ACQUISITION COSTS

	GROUP		COMPANY	
	2018 KShs'000	2017 KShs'000	2018 KShs'000	2017 KShs'000
CEDANT ACQUISITION COSTS				
Super annuation	514,812	458,689	514,047	457,705
Ordinary life	21,450	53,529	21,419	53,529
Engineering	291,804	261,318	262,102	241,647
Fire	1,143,878	1,213,788	1,013,357	1,101,221
Marine	173,836	182,473	158,040	164,383
Medical	787,339	834,669	787,243	834,669
Personal accident	131,404	141,353	117,469	125,714
Motor	98,662	76,102	89,252	66,956
Miscellaneous (incl. Theft)	727,070	706,779	687,452	684,142
TOTAL	**3,890,255**	**3,928,700**	**3,650,381**	**3,729,966**

10 (b). OPERATING AND OTHER EXPENSES

	GROUP		COMPANY	
	2018 KShs'000	2017 KShs'000	2018 KShs'000	2017 KShs'000
Staff costs	736,288	650,968	665,453	599,116
Depreciation (note 15)	34,652	39,505	26,361	33,742
Amortisation (note 16)	142,415	45,356	142,415	45,356
Auditors' remuneration	11,615	8,825	11,004	7,351
Directors' – emoluments	8,640	14,125	8,640	14,125
Directors' – fees	16,962	13,217	16,962	13,217
Directors' – training	14,728	8,282	14,728	8,282
Mortgage provisions	43,058	5,137	43,058	5,137
Annual General Meeting expenses	12,886	23,782	12,886	23,782
Investment property direct operating expenses	205,463	201,766	204,884	201,766
Travel and accommodation	120,275	116,457	114,021	110,588
Advertisement	14,515	20,846	14,515	20,847
Professional and consultancy fees	42,625	186,182	42,772	186,056
Rent and rates	8,854	8,904	7,417	7,825
Hardware and software maintenance	77,058	50,977	77,017	50,490
Donations, sponsorship and CSR activities	7,949	6,671	7,100	6,304
Bank charges	15,138	11,653	12,888	10,900
Indirect tax expenses in subsidiaries	1,109	5,872	-	-
Forex losses	291,070	105,307	291,087	126,498
Provision for un-reconciled inventory	4,828	33,084	4,828	32,024
Other expenses	209,706	152,120	182,532	133,972
	2,019,834	**1,709,036**	**1,900,568**	**1,637,378**
Staff costs consist:				
Salaries and wages	469,903	444,944	427,422	403,646
Retirement benefit costs (note 21)	7,931	2,678	7,931	2,678
Medical expenses	35,985	29,173	32,029	29,119
Leave allowance	44,519	33,263	33,150	31,540
National social security benefit costs	1,259	2,357	367	353
Gratuity accrual	-	1,274	-	605
Bonus	76,417	57,863	72,896	57,616
Staff welfare expenses	37,701	18,134	32,636	14,623
Training and recruitment	24,866	27,801	23,821	26,751
Leave pay provision	2,415	2,861	2,347	1,565
Pension contributions to defined contribution scheme	35,217	30,620	32,854	30,620
	736,288	**650,968**	**665,453**	**599,116**
Other expenses consist:				
Motor vehicle running expenses	583	6,459	236	5,941
General office expenses	9,442	35,820	8,925	28,890
Marketing expenses	8,858	33,990	8,858	28,633
Corporate and other sundry expenses	190,823	75,851	164,513	70,508
	209,706	**152,120**	**182,532**	**133,972**

NOTES TO THE FINANCIAL STATEMENTS (CONT"D)

FOR THE YEAR ENDED 31 DECEMBER 2018

11. TAX

	GROUP 2018 KShs'000	GROUP 2017 KShs'000	COMPANY 2018 KShs'000	COMPANY 2017 KShs'000
(a) Tax charge				
Current tax on the taxable profit for the year	671,001	944,425	671,001	944,425
Prior year under provision	13,771	(5,443)	13,771	(5,443)
	684,772	**938,982**	**684,772**	**938,982**
Deferred tax charge (note 37)				
- Current year	138,796	39,924	138,796	39,924
- Prior year over provision	-	2,305	-	2,305
	823,568	**981,211**	**823,568**	**981,211**

(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 2018 KShs'000	GROUP 2017 KShs'000	COMPANY 2018 KShs'000	COMPANY 2017 KShs'000
Profit before tax	**3,101,850**	**4,538,414**	**3,033,273**	**4,728,365**
Tax applicable	930,563	1,361,524	909,991	1,418,510
Tax effects of non-taxable income	(331,854)	(511,139)	(332,142)	(551,387)
Tax effect of non-deductible expenses	211,089	133,964	231,949	117,226
Prior year under/(over) provision- current tax	13,771	(5,443)	13,771	(5,443)
Prior year over provision- deferred tax	-	2,305	-	2,305
	823,569	**981,211**	**823,569**	**981,211**
Attributable to:				
Long term business	232,447	217,054	232,447	217,054
Short term business	591,122	764,157	591,122	764,157
	823,569	**981,211**	**823,569**	**981,211**
(c) Tax (recoverable) / payable				
At 1 January	(126,869)	182,344	(95,850)	213,362
Charge for the year	684,772	938,982	684,772	938,982
Paid in the year	(999,879)	-	(999,876)	-
At 31 December	**(441,976)**	**(1,248,195)**	**(410,957)**	**(1,248,194)**

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	
	2018 KShs'000	2017 KShs'000	2018 KShs'000	2017 KShs'000
Profit attributable to shareholders	2,278,282	3,577,340	2,209,705	3,767,291
Weighted average number of ordinary shares in issue	699,949	699,949	699,949	699,949
Basic and diluted earnings per share	**3.25**	**5.11**	**3.16**	**5.38**

There were no potentially dilutive shares outstanding at 31 December 2018 and 2017. The diluted earnings per share is therefore the same as the basic earnings per share.

13. SHARE CAPITAL

		2018 KShs '000	2017 KShs '000
(i) Authorized: share capital			
800,000,000 ordinary shares of KShs 2.50 each		2,000,000	2,000,000
	Number of shares	**2018 KShs '000**	**2017 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 Zep Re (PTA Reinsurance), 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 KShs7,826,795,000 (2017: KShs 6,686,905,000) whose distribution is subject to restrictions imposed by legislation.

15. PROPERTY AND EQUIPMENT

GROUP	Motor vehicles KShs'000	Computers KShs'000	Furniture and equipment KShs'000	Total KShs'000
31-Dec-18				
COST				
At 1 January 2018	40,122	109,481	116,361	265,964
Additions	9,389	35,117	5,218	49,724
At 31 December 2018	49,511	144,598	121,579	315,688
DEPRECIATION				
At 1 January 2018	19,773	87,594	82,038	189,405
Charge for the year	10,017	12,021	12,614	34,652
At 31 December 2018	29,790	99,615	94,652	224,057
NET CARRYING AMOUNT				
At 31 December 2018	**19,721**	**44,983**	**26,927**	**91,631**
31 DECEMBER 2017				
COST				
At 1 January 2017	33,072	99,549	107,068	239,689
Additions	10,815	9,932	9,293	30,040
Disposal	(3,765)	-	-	(3,765)
At 31 December 2017	40,122	109,481	116,361	265,964
DEPRECIATION				
At 1 January 2017	14,797	71,702	66,517	153,016
Charge for the year	8,663	15,892	14,950	39,505
Disposal	(3,687)	-	-	(3,687)
Exchange difference adjustment	-	-	571	571
At 31 December 2017	19,773	87,594	82,038	189,405
NET CARRYING AMOUNT				
At 31 December 2017	20,349	21,887	34,323	76,559

15. PROPERTY AND EQUIPMENT (continued)

COMPANY	Motor vehicles KShs'000	Computers KShs'000	Furniture and equipment KShs'000	Total KShs'000
31-Dec-18				
COST				
At 1 January 2018	26,803	106,972	102,420	236,195
Additions	-	32,205	5,735	37,940
At 31 December 2018	**26,803**	**139,177**	**108,155**	**274,135**
DEPRECIATION				
At 1 January 2018	14,565	86,355	78,313	179,233
Charge for the year	4,895	10,681	10,785	26,361
At 31 December 2018	19,460	97,036	89,098	205,594
NET CARRYING AMOUNT				
At 31 December 2018	**7,343**	**42,141**	**19,057**	**68,541**

COMPANY	Motor vehicles KShs'000	Computers KShs'000	Furniture and equipment KShs'000	Total KShs'000
31-Dec-17				
COST				
At 1 January 2017	30,568	97,791	100,685	229,044
Additions	-	9,181	1,735	10,916
Transfers from WIP	-	-	-	-
Disposals	(3,765)	-	-	(3,765)
At 31 December 2017	26,803	106,972	102,420	236,195
DEPRECIATION				
At 1 January 2017	12,293	70,988	65,897	149,178
Charge for the year	5,959	15,367	12,416	33,742
Disposal	(3,687)	-	-	(3,687)
At 31 December 2017	14,565	86,355	78,313	179,233
NET CARRYING AMOUNT				
At 31 December 2017	**12,238**	**20,617**	**24,107**	**56,962**

16. INTANGIBLE ASSETS - GROUP and COMPANY

	Intangible assets KShs'000	Capital WIP KShs'000	Total KShs'000
31 DECEMBER 2018			
COST			
At 1 January 2018	260,384	425,027	685,411
Additions	-	194,395	194,395
Transfer from W.I.P	619,422	(619,422)	-
At 31 December 2018	**879,806**	**-**	**879,806**
AMORTISATION			
At 1 January 2018	149,289	-	149,289
Charge for the year	142,261	-	142,261
At 31 December 2018	**291,550**	**-**	**291,550**
NET CARRYING AMOUNT			
At 31 December 2018	**588,256**	**-**	**588,256**
31 DECEMBER 2017			
COST			
At 1 January 2017	218,445	214,346	432,791
Additions	41,939	210,681	252,620
At 31 December 2017	**260,384**	**425,027**	**685,411**
AMORTISATION			
At 1 January 2017	103,933	-	103,933
Charge for the year	45,356	-	45,356
At 31 December 2017	**149,289**	**-**	**149,289**
NET CARRYING AMOUNT			
At 31 December 2017	**111,095**	**425,027**	**536,122**

In 2017, Capital Work-In-Progress related to costs incurred towards acquisition of a new reinsurance system.

17. MORTGAGE LOANS

	GROUP		COMPANY	
	2018 KShs'000	**2017 KShs'000**	**2018 KShs'000**	**2017 KShs'000**
Staff mortgages	445,392	287,283	415,705	287,281
Commercial mortgages	426,874	507,059	447,249	507,059
	872,266	**794,342**	**862,954**	**794,340**
Less: impairment provision	(146,404)	(135,917)	(146,404)	(135,917)
	725,862	**658,425**	**716,550**	**658,423**
Maturity analysis:				
Within 1 year	648	39,435	1,890	39,433
Within 1 to 5 years	1,160	33,461	99,520	33,461
Over 5 years	724,054	585,529	615,140	585,529
	725,862	**658,425**	**716,550**	**658,423**
Impairment provision analysis:				
Balance brought forward	135,917	130,780	135,917	130,780
Additional provision	10,487	5,137	10,487	5,137
Balance carried forward	**146,404**	**135,917**	**146,404**	**135,917**

The weighted average effective interest rate on the mortgages was 10.31% (2017 – 10.40%). Mortgage loans are fully secured.

18. INVESTMENT PROPERTIES – GROUP AND COMPANY

At fair value	**2018 KShs '000**	**2017 KShs '000**
At 1 January	9,622,000	8,903,000
Additions	85,789	46,923
Fair value gain	397,211	672,077
At 31 December	**10,105,000**	**9,622,000**

(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 2018.

(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.

19. INVESTMENT IN ASSOCIATE – GROUP AND COMPANY

The group has a 19.13% 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.

	2018 KShs '000	2017 KShs '000
At 1 January	4,399,320	3,907,825
Share of profit for the year	180,865	504,069
Less: dividends - received in cash	(96,283)	-
- receipt of additional shares	-	(90,461)
	4,483,902	**4,321,433**
Share of revaluation reserve	401	11,522
Share of fair value reserve	35,649	19,113
Currency translation adjustment	(45,990)	(43,209)
Investment in the year - paid in cash	-	-
- capitalisation of dividends	-	90,461
	(9,940)	77,887
Net carrying amount of the investment	**4,473,962**	**4,399,320**

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:

	2018 KShs	2017 KShs
Closing rate	101.85	103.23
Average rate	101.30	103.41
Ownership	19.13%	19.13%

Summary financial information for ZEP-Re	2018 KShs '000	2017 KShs '000
Total assets	38,359,327	37,940,123
Total liabilities	(14,972,178)	(14,943,153)
Net assets	23,387,149	22,996,970
Group's share of net assets of associate	4,473,962	4,399,320
Profit before tax	945,453	2,646,031
Tax*	-	-
Profit for the year	945,453	2,646,031
Group's share of profit for the year	180,865	504,069

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

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 2018	2017	Investment at cost: 2018 KShs '000	2017 KShs '000
Kenya Reinsurance Corporation Côte d ` Ivoire	100%	100%	4,186	4,186
Kenya Reinsurance Corporation Zambia	100%	100%	183,596	183,596
			187,782	**187,782**

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 2018 is 3.6 (2017: 3.9).

During the reading of the budget statement for 2017/2018 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.

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:

Asset Class	2018 Amount KShs'000	2018 Proportion %	2017 Amount KShs'000	2017 Proportion %
Quoted equities	126,676	19.7	124,297	18.9
Fixed deposits, commercial papers and government bonds	350,203	54.5	316,129	48.2
Net current assets	(4,154)	(0.6)	60,695	9.3
Properties and other fixed assets	170,000	26.4	155,000	23.6
Total	**642,725**	**100**	**656,121**	**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 (13% per annum)	Discount Rate less 1% (12.2% per annum)
Present Value of Obligation at 31 December 2018	KShs 698.2 million	KShs 723.2 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

	2018 KShs '000	2017 KShs '000
The actuarial valuation results were as follows:		
Present value of funded obligations	(698,187)	(681,347)
Fair value of scheme assets	642,725	656,121
Net asset/ (liability) in the statement of financial position	**(55,462)**	**(25,226)**
Movement in present value of funded obligation:		
As at 1 January	681,347	602,603
Current service costs	4,574	4,435
Interest cost	80,779	85,893
Actuarial (gain)/loss	(25,486)	13,322
Benefits payment	(43,027)	(24,906)
At 31 December	**698,187**	**681,347**

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

Defined benefit scheme (continued)	2018 KShs '000	2017 KShs '000
Movement in fair value of plan assets		
As at 1 January	656,121	616,937
Interest income on plan assets	77,422	87,650
Return on plan assets (excluding amount in interest income)	(47,791)	(23,560)
Benefits and expenses paid	(43,027)	(24,906)
At 31 December	**642,725**	**656,121**
Movement in net assets		
As at 1 January	(25,226)	14,334
Net expense recognised in profit or loss	(7,931)	(2,678)
Net (charge) / credit recognised in other comprehensive income	(22,305)	(36,882)
At 31 December	**(55,462)**	**(25,226)**
Amount recognised in profit or loss:		
Current service cost net of employees' contributions	4,574	4,435
Net interest on obligation and plan assets	3,357	(1,757)
Total included in "staff costs" in respect of scheme	**7,931**	**2,678**
Amount recognised in other comprehensive income:		
Actuarial gains	(25,486)	13,322
Return on plan assets (excluding amount in interest income)	47,791	23,560
Total (credit) / charge to other comprehensive income	**22,305**	**36,882**
Actuarial assumptions		
Discount rate (% p.a.)	13%	12.2%
Future salary increases (% p.a.)	5%	5%
Future pension increases (% p.a.)	3%	3%
Retirement age (years)	55	55

21. RETIREMENT BENEFIT OBLIGATION – GROUP and COMPANY (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 2018, the Group contributed KShs 31,500,000 (2017 – KShs 30,620,000) to the defined contribution pension scheme and KShs 2,500,000 (2017 – KShs 2,357,000) for NSSF which has been charged to the statement of profit or loss. The Company contributed KShs 31,500,000 (2017 – KShs 30,620,000) to the defined contribution pension scheme and KShs532,000 (2017 – KShs 353,000) to the NSSF.

22. UNQUOTED EQUITY INSTRUMENTS – AVAILABLE FOR SALE

		GROUP		COMPANY	
		2018 KShs '000	2017 KShs '000	2018 KShs '000	2017 KShs '000
At cost					
At 1 January		202,231	202,231	202,231	202,231
Addition		-	-	-	-
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 (2017: 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.

23. CORPORATE BONDS

	GROUP 2018 KShs '000	GROUP 2017 KShs '000	COMPANY 2018 KShs '000	COMPANY 2017 KShs '000
At 1 January	482,696	487,923	482,696	487,923
Redemptions during the year	(5,925)	(5,925)	(5,925)	(5,925)
Increase in interest accrued	(859)	698	(859)	698
	475,912	**482,696**	**475,912**	**482,696**

Made up as below:	**Maturity**	GROUP 2018 KShs '000	GROUP 2017 KShs '000	COMPANY 2018 KShs '000	COMPANY 2017 KShs '000
KENGEN Limited	31-Oct-19	6,110	12,412	6,110	12,412
Consolidated Bank of Kenya Limited	24-Jul-19	105,679	105,751	105,679	105,751
NIC Bank	09-Sep-19	207,830	208,104	207,830	208,104
Centum	08-Jun-20	81,030	81,087	81,030	81,087
Commercial bank of Africa Ltd	14-Dec-20	75,263	75,342	75,263	75,342
		475,912	**482,696**	**475,912**	**482,696**

The average effective interest rate on the corporate bonds at 31 December 2018 was 12 % (2017: 12.41 %).

24. RECEIVABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

	GROUP 2018 KShs '000	GROUP 2017 KShs '000	COMPANY 2018 KShs '000	COMPANY 2017 KShs '000
Local companies	1,846,692	1,707,555	1,846,691	1,707,555
International companies	3,831,077	4,082,918	3,154,651	3,537,650
Less: impairment provision	(2,004,593)	(1,475,095)	(1,705,142)	(1,257,110)
	3,673,176	**4,315,378**	**3,296,200**	**3,988,095**
The movement in provisions is as below:				
Balance brought forward	(1,475,095)	(1,210,885)	(1,257,110)	(1,074,945)
Additional provision	(529,498)	(264,210)	(448,032)	(182,165)
Balance carried forward	**(2,004,593)**	**(1,475,095)**	**(1,705,142)**	**(1,257,110)**

25. PREMIUM AND LOSS RESERVES

	GROUP 2018 KShs '000	GROUP 2017 KShs '000	COMPANY 2018 KShs '000	COMPANY 2017 KShs '000
International companies	962,727	999,250	806,580	821,491
Local companies	52,920	51,698	52,920	51,698
Provision for impaired balances	(743,992)	(743,992)	(688,769)	(688,769)
	271,655	**306,956**	**170,731**	**184,420**

25. PREMIUM AND LOSS RESERVES (continued)

The movement in provisions is as below:

	GROUP		COMPANY	
	2018 KShs '000	2017 KShs '000	2018 KShs '000	2017 KShs '000
At 1 January	743,992	(613,297)	688,769	(591,596)
Additional provision	-	(130,695)	-	(97,173)
At 31 December	**(743,992)**	**(743,992)**	**(688,769)**	**(688,769)**

Reconciliation of provisions in the Statement of Profit or Loss is as below:

	GROUP		COMPANY	
	2018 KShs '000	2017 KShs '000	2018 KShs '000	2017 KShs '000
Provision on receivables arising out of reinsurance arrangements (note 25)	(424,145)	(264,210)	(358,478)	(182,165)
Provision on premium and loss reserves	-	(130,695)	-	(97,173)
At 31 December	**(424,145)**	**(394,905)**	**(358,478)**	**(279,338)**

26. OTHER RECEIVABLES

	GROUP		COMPANY	
	2018 KShs '000	2017 KShs '000	2018 KShs '000	2017 KShs '000
Staff advances	65,707	77,955	56,424	59,898
Prepayments	8,371	13,546	7,141	13,265
Rental receivables	147,761	111,235	147,761	111,235
Dividends receivable	799	2,479	799	2,479
Other receivables	2,168	43,413	-	42,041
	224,806	**248,628**	**212,125**	**228,918**

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

	2018 KShs '000	2017 KShs '000
At 1 January	2,107,855	2,066,252
Additions	79,447	-
Fair value gain/ (loss)	(328,495)	315,208
Disposal during the year	(259,376)	(273,605)
	1,599,431	**2,107,855**

28. GOVERNMENT SECURITIES– GROUP and COMPANY

	2018 KShs '000	2017 KShs '000
At 1 January	14,562,840	11,721,276
Purchases during the year	7,117,235	5,401,776
Maturities during the year	(7,375,788)	(2,742,948)
Amortisation charge for the period- Held to maturity	8,442	6,853
Fair value gain/ (loss) on available-for-sale government securities	46,849	47,323
(Decrease) / increase in Interest accrued	(44,826)	128,560
	14,314,752	**14,562,840**
Maturing:		
- Within 3 months	-	1,638,609
- Within 4 to 12 months	362,759	1,770,356
- Within 1 to 5 years	4,567,685	3,149,428
- Over 5 years	9,384,308	8,004,447
At 31 December	**14,314,752**	**14,562,840**

Treasury bonds amounting to KShs 2,319,550,000 (2017 – KShs 2,319,550,000) 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 10.80 % (2017 – 10.89 %).

29. INVENTORY

	GROUP 2018 KShs '000	GROUP 2017 KShs '000	COMPANY 2018 KShs '000	COMPANY 2017 KShs '000
As 31 December	**13,590**	**19,897**	**13,492**	**19,897**

Inventories comprise stationery and repair materials.

30. DEFERRED ACQUISITION COSTS

	GROUP 2018 KShs '000	GROUP 2017 KShs '000	COMPANY 2018 KShs '000	COMPANY 2017 KShs '000
At 1 January	1,408,301	1,303,254	1,318,322	1,240,471
Deferred during the year	1,363,134	1,408,301	1,249,752	1,318,322
Released to the statement of profit or loss	(1,408,301)	(1,303,254)	(1,318,322)	(1,240,471)
At 31 December	**1,363,134**	**1,408,301**	**1,249,752**	**1,318,322**

NOTES TO THE FINANCIAL STATEMENTS (CONT"D)

FOR THE YEAR ENDED 31 DECEMBER 2018

31. NON CURRENT ASSETS HELD FOR SALE

	GROUP		COMPANY	
	2018 KShs '000	2017 KShs '000	2018 KShs '000	2017 KShs '000
At 1 January	23,000	28,098	23,000	28,098
Provision	(23,000)		(23,000)	
Disposal during the year	-	(5,098)	-	(5,098)
At 31 December	**-**	**23,000**	**-**	**23,000**

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	
	2018 KShs '000	2017 KShs '000	2018 KShs '000	2017 KShs '000
Deposit with financial institutions	**5,459,225**	**3,408,386**	**5,212,505**	**3,092,508**

The weighted average effective interest rate on deposits with financial institutions was 4.2 % (2017– 8.02%).

33. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2018 KShs '000	2017 KShs '000	2018 KShs '000	2017 KShs '000
Cash and bank balances	**338,035**	**227,204**	**161,216**	**153,247**

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

	GROUP		COMPANY	
	2018 KShs '000	2017 KShs '000	2018 KShs '000	2017 KShs '000
Short term bank deposits	5,459,225	3,408,386	5,212,505	3,092,508
Cash and bank balances	338,035	227,204	161,216	153,247
	5,797,260	**3,635,590**	**5,373,721**	**3,245,755**

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 Zamara Actuaries, Administrators & Consultants Limited, consulting actuaries as at 31 December 2018 and according to the valuation, the fund had a surplus of KShs 6,220 million (2017– KShs 5,608 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 2018 is summarised as follows:

	2018 KShs '000	2017 KShs '000
Life fund	8,800,851	8,000,776
Less: actuarial value of policy holder liabilities	(2,629,125)	(2,392,423)
Actuarial surplus	6,171,726	5,608,353
Less deferred tax liability (note 37)	(1,850,773)	(1,668,862)
Statutory reserve	**4,320,953**	**3,939,491**

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

	2018 KShs '000	2017 KShs '000
As at 1 January	2,392,423	2,177,401
Movement in liabilities	236,702	215,022
	2,629,125	**2,392,423**

Valuation assumptions

The significant valuation assumptions for the actuarial valuation as at 31 December 2018 are summarised below. The same assumptions were used in 2017.

(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 2018 was 4% per annum (2017 – 4.1% per annum).

35. SHORT TERM INSURANCE CONTRACT LIABILITIES

GROUP

YEAR 2018	Gross KShs'000	Reinsurance KShs'000	Net KShs'000
As at 1 January 2018	5,980,320	(288,804)	5,691,516
Movement	804,791	(493,361)	311,430
As at 31 December 2018	**6,785,111**	**(782,165)**	**6,002,946**

YEAR 2017	Gross KShs'000	Reinsurance KShs'000	Net KShs'000
As at 1 January 2017	5,819,354	(288,804)	5,530,550
Movement	160,966	45,622	206,588
As at 31 December 2017	**5,980,320**	**(243,182)**	**5,737,138**

COMPANY

YEAR 2018	Gross KShs'000	Reinsurance KShs'000	Net KShs'000
As at 1 Jan 2018	5,554,703	(288,804)	5,265,899
Movement	691,100	(403,159)	287,941
As at 31 Dec 2018	**6,245,803**	**(691,963)**	**5,553,840**

YEAR 2017	Gross KShs'000	Reinsurance KShs'000	Net KShs'000
As at 1 Jan 2017	5,730,341	(288,804)	5,441,537
Movement	(175,638)	53,506	(122,132)
As at 31 Dec 2017	**5,554,703**	**(235,298)**	**5,319,405**

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

NOTES TO THE FINANCIAL STATEMENTS (CONT"D)

FOR THE YEAR ENDED 31 DECEMBER 2018

35. SHORT TERM INSURANCE CONTRACT LIABILITIES (continued)

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

Claims development

GROUP

Accident Year	2014 KShs'000	2015 KShs '000	2016 KShs '000	2017 KShs '000	2018 KShs '000	Total KShs '000
At the end of accident year	4,379,095	2,696,937	3,448,833	3,181,952	5,565,338	19,272,155
One year later	4,087,426	1,594,546	1,958,680	2,281,400	-	9,922,052
Two years later	976,359	812,427	286,139	-	-	2,074,925
Three years later	534,447	135,099	-	-	-	669,546
Four years later	168,197	-	-	-	-	168,197
Five years later	32,443	-	-	-	-	32,443
Current estimate of cumulative claims	**10,270,552**	**5,381,696**	**6,070,592**	**6,132,713**	**10,286,711**	**38,142,264**
Less: cumulative payments to date	**(10,177,967)**	**(5,239,008)**	**(5,693,653)**	**(5,463,352)**	**(5,565,338)**	**(32,139,318)**
Total net liability included in the statement of financial position	**92,585**	**142,688**	**376,939**	**669,361**	**4,721,386**	**6,002,946**

35. SHORT TERM INSURANCE CONTRACT LIABILITIES (continued)

COMPANY

Accident Year	2014 KShs'000	2015 KShs '000	2016 KShs '000	2017 KShs '000	2018 KShs '000	Total KShs '000
At the end of accident year	4,069,629	2,347,212	3,028,654	2,732,285	4,797,662	16,975,442
One year later	3,795,549	1,368,347	1,658,157	1,959,171	-	8,781,224
Two years later	848,786	693,265	218,682	-	-	1,760,733
Three years later	468,429	117,004	-	-	-	585,432
Four years later	164,038	-	-	-	-	164,038
Five years later	31,574	-	-	-	-	31,574
Current estimate of cumulative claims	**9,463,663**	**4,657,840**	**5,254,233**	**5,310,739**	**9,165,808**	**33,852,284**
Less: cumulative payments to date	(9,378,005)	(4,525,827)	(4,905,494)	(4,691,456)	(4,797,662)	(28,298,444)
Total net liability included in the statement of financial position	**85,659**	**132,013**	**348,739**	**619,283**	**4,368,160**	**5,553,840**

36. PAYABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

	GROUP 2018 KShs '000	2017 KShs '000	COMPANY 2018 KShs '000	2017 KShs '000
Local companies	212,563	154,274	212,563	154,274
International companies	336,903	516,213	228,048	326,402
	549,466	**670,487**	**440,611**	**480,676**

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 liability is attributable to the following items:

GROUP and COMPANY	2018 KShs '000	2017 KShs '000
Excess depreciation over capital allowances	137,363	(73,570)
Leave pay provision	(9,887)	(2,077)
Defined benefit liability	9,169	2,678
Other provisions	(42,413)	(276,406)
Bad debts provisions	(861,222)	(374,500)
	(766,990)	(723,875)
Life fund actuarial surplus	1,850,773	1,668,862
Net deferred tax liability	**1,083,782**	**944,987**

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

	2018 KShs '000	2017 KShs '000
At 1 January	944,986	902,758
Charge for the year (note 11)	138,797	42,229
At 31 December	**1,083,783**	**944,987**

NOTES TO THE FINANCIAL STATEMENTS (CONT"D)

FOR THE YEAR ENDED 31 DECEMBER 2018

38. OTHER PAYABLES

	GROUP		COMPANY	
	2018 KShs '000	2017 KShs '000	2018 KShs '000	2017 KShs '000
Purchasers deposits	18,432	4,774	18,432	4,774
Legal fees deposits	1,238	233	1,238	233
Rental deposits	144,189	135,879	144,189	135,879
Accrued leave pay	43,443	12,966	32,957	12,653
Accounts payable	269,905	312,414	258,215	293,811
Other creditors and accruals	268,662	177,114	253,738	164,655
	745,869	**643,380**	**708,769**	**612,005**

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

39. UNEARNED PREMIUMS

	GROUP		COMPANY	
	2018 KShs '000	2017 KShs '000	2018 KShs '000	2017 KShs '000
At 1 January	5,113,942	4,513,703	4,781,322	4,298,058
Increase/ (decrease) in the year	(190,991)	600,239	(208,662)	483,264
At 31 December	**4,922,951**	**5,113,942**	**4,572,660**	**4,781,322**

40. DIVIDENDS – GROUP and COMPANY

The directors propose the payment of a first and final dividend of KShs 0.45 (2017 – KShs 0.85) per share totalling to KShs 315 million in respect of the year ended 31 December 2018 (2017 – KShs 595 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.

Dividends per share is summarised as follows:

	2018	2017
Proposed dividends per share:		
Dividends appropriations (KShs '000')	314,977	594,957
Number of shares at 31 December	699,949,068	699,949,068
Dividends per share	**0.45**	**0.85**
Dividends per share declared and paid:		
Dividends appropriations (KShs '000')	594,957	559,959
Number of shares at 31 December	699,949,068	699,949,068
Dividends per share	**0.85**	**0.80**

41. NOTES TO THE STATEMENT OF CASH FLOWS

	GROUP		COMPANY	
	2018 KShs '000	2017 KShs '000	2018 KShs '000	2017 KShs '000
Profit before tax	3,101,850	4,558,551	3,033,273	4,748,502
Adjustment for:				
Depreciation (note 15)	34,500	39,505	26,361	33,742
Unrealised foreign exchange losses	(497)	595	(342)	595
Interest on corporate bonds (note 7)	(57,145)	(60,228)	(57,145)	(60,228)
Interest on government securities (note 7)	(1,787,092)	(1,495,869)	(1,787,092)	(1,495,869)
Interest on staff mortgages and loans (note 7)	(18,745)	(16,411)	(18,348)	(16,200)
Interest on deposits with financial institutions (note 7)	(251,569)	(304,968)	(230,110)	(286,286)
Interest on commercial mortgages (note 7)	(51,116)	(54,896)	(51,116)	(54,896)
Dividend income (note 7)	(169,238)	(112,066)	(169,238)	(112,066)
Provision for doubtful debts	453,915	394,905	358,478	279,338
Amortisation of software (note 16)	142,261	45,356	142,261	45,356
Realised accumulated fair value gain on available for sale quoted equity instruments (note 7)	(201,532)	(258,669)	(201,532)	(258,669)
Gain on disposal of property and equipment (note 8)	-	(687)	-	(687)
Provision on non-current assets held for sale	23,000		23,000	
Profit on sale of non-current assets held for sale	-	(10,402)	-	(10,402)
Fair value gain on investment properties (note 18)	(397,211)	(672,077)	(397,211)	(672,077)
Defined benefit loss recognised in profit or loss	7,931	2,678	7,931	2,678
Share of profit of associate (note 19)	(180,865)	(504,069)	(180,865)	(504,069)
Operating profit before working capital changes	**648,447**	**1,551,248**	**498,305**	**1,638,762**
Short term reinsurance contract liabilities	265,808	206,588	234,435	(122,132)
Unearned premiums	(190,991)	600,239	(208,662)	483,264
Other payables	102,489	150,741	96,764	132,547
Long term reinsurance contract liabilities	236,702	215,022	236,702	215,022
Mortgage loans	(67,437)	49,140	(58,127)	49,142
Other receivables	61,565	(61,424)	63,960	(43,608)
Increase in inventories	6,307	23,011	6,405	23,011
Deferred acquisition costs (note 31)	45,167	(105,047)	68,570	(77,851)
Premium and loss reserves	35,301	(58,054)	13,689	(4,710)
Payables arising out of reinsurance arrangements	(121,021)	109,930	(40,065)	66,569
Increase in due to/ from related party	-	-	(48,671)	40,566
Receivables arising out of reinsurance arrangements	188,287	(997,521)	333,417	(818,643)
Net cash generated from operations	**1,210,624**	**1,683,873**	**1,196,,722**	**1,581,939**

42. RELATED PARTIES

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

	GROUP 2018 KShs '000	GROUP 2017 KShs '000	COMPANY 2018 KShs '000	COMPANY 2017 KShs '000
(a) Transactions and balances with directors and staff				
(i) Directors' remuneration				
Fees	8,640	13,217	8,640	13,217
Other emoluments	16,962	14,124	16,962	14,124
	25,602	**27,341**	**25,602**	**27,341**
(ii) Key management remuneration				
Salaries and other short-term benefits	65,554	62,727	59,556	43,926
Post-employment benefits	-	3,002	-	2,752
	65,554	**65,729**	**59,556**	**46,678**
(iii) Loans to staff	**70,801**	**77,657**	**70,801**	**63,940**

Interest income on these loans was KShs 18,744,545, (2017: KShs 11,694,120). The effective interest on the loans is 5 % (2017 – 5%). Staff mortgages and car loans are fully secured.

	GROUP 2018 KShs '000	GROUP 2017 KShs '000	COMPANY 2018 KShs '000	COMPANY 2017 KShs '000
(b) Transaction with associate company, ZEP Re				
(i) Net premium written	**24,127**	**30,103**	**24,127**	**30,103**
(ii) Claims incurred	**14,310**	**13,914**	**14,310**	**13,914**

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

	2018 KShs '000	2017 KShs '000
(c) Outstanding balances with related parties:		
Relationship		
Due to:		
Amount due from Kenya Reinsurance Corporation ZambiaSubsidiary	93,820	63,438
	93,820	63,438
Due from:		
Amount due to Kenya Reinsurance Corporation Cote d'Ivoire		
Subsidiary	**43,091**	**61,380**

43. INVENTORY PROPERTY – GROUP and COMPANY

	2018 KShs '000	2017 KShs '000
Cost	941,077	918,077
Less: Impairment provision	(941,077)	(918,077)
	-	-

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

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 KShs '000	Interest KShs '000	Penalty KShs '000	Total 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. 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.

46. INCORPORATION

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

47. CURRENCY

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

NOTES TO THE FINANCIAL STATEMENTS (CONT"D)

FOR THE YEAR ENDED 31 DECEMBER 2018

48. 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 875 million (2017: KShs 843 million). Future minimum rentals receivable under non-cancellable operating leases as at 31 December are, as follows:

	2018 KShs '000	2017 KShs '000
Not later than one year	2,372	69,439
Later than 1 year but not later than 5 years	2,193,636	1,411,449
Later than 5 years	1,089,647	1,593,945
	3,285,655	**3,074,833**

SHORT TERM BUSINESS REVENUE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2018

Appendix I

	Aviation Shs '000'	Engineering Shs '000'	Fire domestic Shs '000'	Fire industrial Shs '000'	Liability Shs '000'	Marine Shs '000'	Motor private Shs '000'	Motor commercial Shs '000'	Personal accident Shs '000'	Theft Shs '000'	Workmen compensation Shs '000'	Medical Shs '000'	Miscellaneous Shs '000'	Total General 31.12.2018 Shs '000'	Total General 31.12.2017 Shs '000'
Gross premium	34,960	1,004,214	3,416,687	426,981	191,717	546,625	39,287	760,314	277,570	3,425	1,879	2,951,505	3,277,942	12,933,106	13,196,958
Movement in unearned premium	6,762	526	160,821	20,098	15,689	67,738	(1,237)	(23,936)	(6,921)	(85)	(46)	35,360	(83,779)	190,990	412,103
Earned premiums	41,722	1,004,740	3,577,508	447,079	207,406	614,363	38,050	736,378	270,649	3,340	1,833	2,986,865	3,194,163	13,124,096	12,784,855
Less: Retrocession premiums	9,937	120,397	174,853	65,889	0	31,781	0	19,449	6,369	0	0	0	289,586	718,261	600,239
Net earned premiums	31,785	884,343	3,402,655	381,190	207,406	582,582	38,050	716,929	264,280	3,340	1,833	2,986,865	2,904,577	12,405,835	12,184,616
Claims paid	41,803	264,021	2,336,795	17,804	34,534	345,476	5,910	670,015	165,000	3,616	35,541	2,393,599	1,944,597	8,258,711	7,019,508
Claims recoverable	0	27	196,779	325,030	0	(6,660)	0	0	3,090	0	0	0	43,303	561,569	469,908
Claims reserves at 01.01.2018	(10,725)	(285,478)	(4,505)	(2,543,879)	(48,953)	(367,724)	(4,000)	(506,002)	(143,704)	(113,637)	(606)	(1,163,915)	(544,010)	(5,737,138)	(5,530,550)
Claims reserves at 31.12.2018	57,838	370,524	10,695	2,542,637	75,269	340,365	8,566	500,375	42,403	121,954	357	823,511	1,158,452	6,002,946	5,737,138
Net claims incurred	88,916	299,040	2,146,206	(308,468)	60,850	324,777	10,476	664,388	60,609	11,933	35,292	2,053,195	2,515,736	7,962,950	6,756,188
Commissions	8,461	315,256	1,004,644	102,154	60,642	169,560	4,191	117,310	132,486	987	478	762,010	658,856	3,350,056	3,413,808
Commissions recoverable	0	(51)	(98)	0	0	(34)	0	(6,807)	0	0	0	0	0	(6,990)	(777)
Commissions movement 2018	(713)	(20,877)	41,963	4,257	(1,497)	5,661	(519)	(14,521)	(7)	0	0	31,554	(35)	45,166	0
Net commissions	7,748	294,430	1,046,605	106,411	59,145	175,255	3,672	109,596	132,479	987	478	793,564	658,821	3,388,232	3,413,031
Provision for bad debts	1,147	32,933	112,051	14,003	6,287	17,927	1,288	24,935	9,103	112	62	96,795	107,501	424,144	394,905
Management expenses	4,817	138,355	470,733	58,827	26,414	75,311	5,413	104,752	38,242	472	259	406,643	451,618	1,781,881	1,467,424
Total expenses	102,628	764,758	3,775,595	(129,227)	152,696	593,270	20,849	903,671	240,433	13,504	36,091	3,350,197	3,733,676	(1,165,352)	12,031,548
Underwriting profit/(loss)	(70,843)	119,585	(372,940)	510,417	54,710	(10,688)	17,201	(186,742)	23,847	(10,164)	(34,258)	(363,332)	(829,099)	(1,152,306)	153,068

This short term business revenue account was approved by the Board of Directors on 28|03|2019 and was signed on its behalf by

Jadiah Mwarania
Principal Officer

David Kemei
Director

Anthony Munyao
Director

LONG TERM BUSINESS REVENUE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2018

Appendix II

	Ordinary Kshs	Super Annuation Kshs	2018 Kshs	2017 Kshs
Gross earned premiums	55,255	1,850,032	1,905,287	1,630,338
Less: Retrocessions premiums	(6,553)	(98,593)	(105,146)	(135,378)
Net earned premium	48,702	1,751,439	1,800,141	1,494,960
Net claims incurred	44,142	586,456	630,598	627,332
Change in actuarial liabilty	(159,391)	396,092	236,701	215,022
Net cedant acquisition costs	25,101	471,657	496,758	413,596
Management expenses	7,139	230,814	237,953	240,834
	(83,009)	1,685,019	1,602,010	1,496,784
Underwriting surplus	131,711	66,420	198,131	(1,824)
Fair value gains	1,938	62,648	64,586	117,212
Investment income	12,305	397,871	410,176	543,459
Increase in life fund	145,954	526,939	672,893	658,847
Tax Charge	(5,053)	(45,481)	(50,535)	(47,130)
Net Increase in life fund	62,236	560,122	622,358	611,717

The long term business revenue account was approved by the board of directors on 28 | 03 | 2019 and were signed on its behalf by:

Jadiah Mwarania
Principal Officer

David Kemei
Director

Anthony Munyao
Director

NOTES

PROXY FORM

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

Shareholder / Member No. ____________________

I/WE____ of ______________________________

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

____ of______________________________

or failing him/her______________________________________ of______________________________

as *my/our proxy to vote for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held at the Bomas of Kenya, Lang'ata Road, Nairobi, on Friday 14th June 2019 at 11.00 a.m., and at any adjournment thereof.

Signature(s)______________________________________ ______________________________

Signed this _______________________________________ day of ____________________ 2019.

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 Friday, 14th June 2019

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, 14th June 2019** *at 11.00 a.m.*

FOMU YA UWAKILISHI

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

Namba ya Mwenyehisa/ Mwanachama: ____________

MIMI/SISI ______________________________ wa ____________________

kama *mwanachama/ wanachama wa Shirika la **KENYA REINSURANCE CORPORATION LIMITED**, ninamchagua/ tunamchagua

______________________________ wa ____________________

Au kwa kumkosa ______________________________ wa ____________________

*kama mwakilishi wangu/wetu ili anipigie/atupigie kura kwa *niaba yangu/yetu katika Mkutano Mkuu wa Mwaka wa Kampuni utakaofanyika kwenye ukumbi wa **Bomas of Kenya, barabara ya Lang'ata Road, Nairobi, siku ya Ijumaa, mnamo tarehe 14 Juni 2019 saa tano asubuhi,** au kuahirishwa kwokwote kunakoweza kutokea.

Sahihi ______________________________ ____________________

Ilitiwa sahihi siku ya ______________________________ 2019.

Fomu hii itatumika kwa niaba ya/dhidi ya maamuzi yatakayotolewa wakati wa upigaji kura. Isipokuwa vinginevyo itakavyoshauriwa, mwakilishi atapiga kura jinsi anavyopenda.

**Ondoa kile kisichohitajika*

Tanbihi

1. *Anwani iwe ile iliyoonyeshwa kwenye sajili ya wanachama.*
2. *Pale ambapo mwanachama atakuwa Shirika, fomu hii ya uwakilishi ni sharti ishughulikiwe ima chini ya Mhuri Rasmi au itiwe sahihi kwa niaba ya shiriki hilo na wakili au afisa wa Kampuni aliyeidhinishwa.*
3. *Mtu aliyeteuliwa kuwakilisha sio lazima awe mwanachama wa Kampuni hii.*
4. *Iwapo pana hali ambapo aliyechaguliwa ni mshirika wa pamoja, sahihi ya mshirika mmoja itatosha lakini majina ya washirika wote lazima yatajwe.*

Barua ya Kuwakaribisha Wenyehisa kwa Mkutano Mkuu wa Mwaka (AGM) tarehe 14 Juni 2019

Tafadhali jaza fomu hii na ufahamu kuwa sharti itolewe na wewe binafsi au mwakilishi wako katika Mkutano Mkuu wa Mwaka ili usajiliwe kama aliyehudhuria. Tafadhali fahamu kuwa ni wenyehisa waliosajiliwa pekee au wawakilishi wao waliotambulishwa kwa Shirika hili katika muda usiopungua saa arobaini na nane (48) kabla ya muda wa kufanyika kwa mkutano, ndio watakaokubaliwa kwenye mkutano huo.

Jina: ______________________________ Sahihi: ____________________

Mkutano Mkuu wa Kila Mwaka wa shirika la Kenya Reinsurance Corporation Limited utakaofanyika kwenye Ukumbi wa ***Bomas of Kenya, kando ya Lang'ata Road, siku ya Ijumaa tarehe 14 Juni 2019 saa tano asubuhi.***

KENYA RE

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