

KENYA REINSURANCE CORPORATION LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2009

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

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

RESULTS

	2009 Sh '000
Profit before taxation	1,463,862
Taxation charge	(134,958)
	<hr/>
Profit for the year transferred to retained earnings	<u>1,328,904</u>

DIVIDENDS

The directors recommend the payment of first and final a dividend of Sh 0.50 (2008 - Sh 0.50) per share totalling to Sh 300 million for the year ended 31 December 2009 (2008 – Sh 300 million).

DIRECTORS

The present membership of the Board is set out on page 2.

Mr. Nelson Kuria was elected to the Board at the 2008 Annual General Meeting held on 22 June 2009.

In accordance with Article 115 of the Corporation's Articles of Association, Messrs. Mutwiri Ikiao, Everest Lenjo and Mrs. Gladys M. Mboya, were re-appointed to the Board on 8 April 2010 and shall retire and offer themselves for election at the Annual General Meeting on 18 June 2010.

In accordance with Article 115 of the Corporation's Articles of Association, Mr. Felix Okatch was appointed to the Board on 8 April 2010 as a director and shall retire and offer himself for election at the Annual General Meeting on 18 June 2010.

Following the expiry of the contractual term of Mrs. Eunice Mbogo as Managing Director of the Corporation on 11 April 2010, Mr. Jadhiah Mwarania, General Manager-Reinsurance Operations, was appointed as Managing Director in acting capacity until the substantive filling of the position through a competitive process.

SECRETARY

Ms E Embeywa retired on 3 August and was replaced by Mr. Habil Waswani on the same date.

KENYA REINSURANCE CORPORATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	Long term business 2009 Sh'000	Short term business 2009 Sh'000	Total 2009 Sh'000	Total 2008 Restated Sh'000
INCOME					
Gross earned premiums	6	634,612	3,073,414	3,708,026	3,427,810
Less: retrocession premiums		(82,139)	(168,037)	(250,176)	(318,719)
NET EARNED PREMIUMS		552,473	2,905,377	3,457,850	3,109,091
Investment income	7	208,107	932,777	1,140,884	1,040,065
Commissions receivable		11,808	1,034	12,842	14,169
Fair value gains on revaluation of investment properties	14	58,000	252,000	310,000	565,000
NET INCOME		830,388	4,091,188	4,921,576	4,728,325
Gross claims incurred		(405,751)	(1,553,335)	(1,959,086)	(1,564,779)
Amounts recoverable from retrocessionaires		60,226	69,225	129,451	156,919
NET CLAIMS INCURRED	8	(345,525)	(1,484,110)	(1,829,635)	(1,407,860)
Commissions payable		(172,593)	(895,678)	(1,068,271)	(991,528)
Operating and other expenses	9	(78,253)	(583,966)	(662,219)	(585,302)
TOTAL EXPENSES		(250,846)	(1,479,644)	(1,730,490)	(1,576,830)
SHARE OF PROFIT IN ASSOCIATE COMPANY	17	-	102,411	102,411	33,391
P ROFIT BEFORE TAXATION		234,017	1,229,845	1,463,862	1,777,026
TAXATION	11(a)	(1,380)	(133,578)	(134,958)	(277,915)
PROFIT FOR THE YEAR		232,637	1,096,267	1,328,904	1,499,111
OTHER COMPREHENSIVE LOSS					
Fair value loss arising on revaluation of available-for-sale financial assets	28	-	(60,283)	(60,283)	(493,228)
Reclassification adjustments relating to available-for-sale financial assets disposed in the year		-	(144,000)	(144,000)	(101,546)
Surplus on revaluation of equipment		-	-	-	9,427
Deferred taxation thereon	18	-	-	-	(1,885)
Share of movement in associate reserves	17	-	(4,092)	(4,092)	92,764
TOTAL OTHER COMPREHENSIVE LOSS FOR THE YEAR NET OF TAX		-	(208,375)	(208,375)	(494,468)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		232,637	887,892	1,120,529	1,004,643
EARNINGS PER SHARE - basic and diluted	12			2.21	2.5

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

Note	Share capital Sh '000	Revaluation reserve Sh '000	Fair value reserve Sh '000	Translation reserve Sh '000	Statutory reserve Sh '000	Retained earnings Sh '000	Total Sh '000
At 1 January 2008	1,500,000	17,088	2,369,946	(45,905)	172,774	3,213,352	7,227,255
Prior year adjustments	-	-	-	-	-	(62,937)	(62,937)
- Foreign exchange differences cedant balances *	-	-	-	-	-	320,435	320,435
- Deferred acquisition costs **	-	-	-	-	-	-	-
At 1 January 2008 - As restated	1,500,000	17,088	2,369,946	(45,905)	172,774	3,470,850	7,484,753
Profit for the year - restated	-	-	-	-	301,299	1,197,812	1,499,111
Other comprehensive income	-	7,487	(612,154)	110,199	-	-	(494,468)
Total comprehensive income for the year	-	7,487	(612,154)	110,199	301,299	1,197,812	1,004,643
Transfer of excess depreciation	-	-	-	-	-	-	-
- prior years	-	(17,192)	-	-	-	17,192	-
Dividends declared - 2007	13	-	-	-	-	(210,000)	(210,000)
At 31 December 2008	1,500,000	7,383	1,757,792	64,294	474,073	4,475,854	8,279,396
At 1 January 2009 - As previously stated	-	-	-	-	-	4,457,843	4,457,843
Prior year adjustment - Deferred acquisition costs **	-	-	-	-	-	18,011	18,011
At 1 January 2009 - As restated	1,500,000	7,383	1,757,792	64,294	474,073	4,475,854	8,279,396
Profit for the year	-	-	-	-	232,637	1,096,267	1,328,904
Other comprehensive income	-	4,319	(218,009)	5,315	-	-	(208,375)
Total comprehensive income for the year	-	4,319	(218,009)	5,315	232,637	1,096,267	1,120,529
Dividends declared - 2008	13	-	-	-	-	(300,000)	(300,000)
Transfer of excess depreciation	-	(1,553)	-	-	-	1,553	-
Deferred taxation thereon	-	311	-	-	-	(311)	-
At 31 December 2009	1,500,000	10,460	1,539,783	69,609	706,710	5,273,363	9,099,925

Included in retained earnings are reserves amounting to Sh 1,168,981,010 (2008 - Sh 858,981,010) relating to fair value gain on investment properties. The prior year adjustments relate to:

* Recognition of foreign exchange differences relating to cedant balances relating to prior years

** Relates to retrospective adjustment for change in accounting policy to adhere to the requirements of IFRS 4 Insurance Contracts that requires the recognition of deferred acquisition costs as follows:

Retained earnings 2007	320,435
Profit for 2008	18,011
Total deferred acquisition costs 31 December 2008	338,446