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Corporate Information

BOARD OF DIRECTORS	Dr.	Michael Gondwe	-	(Chairman)
	Ms.	Irene Muyenga	-	(Vice Chairperson)
	Mr.	Rajni Varia	-	(Managing Director)
	Mr.	Aden Saleh Omar		
	Mr.	Albert Nduna		
	Ms.	Amna A. Mohammed		
	Mr.	Elias Baingana		
	Mr.	Justine Mwandu		
	Mrs.	Nelius Kariuki		
	Mr.	Tushar Shah		
	Mr.	William Erio		
ALTERNATE DIRECTORS	Mr.	Alex Gitari		
	Mr.	Anjay Patel		
	Mr.	Hosea Kashimba		
	Mr.	Iddi K. Haji		
	Mr.	Jadiah Mwarania		
	Mr.	Leo Huvaya		
	Mr.	Marc Rugenera		
	Mr.	Mohammed Seyadou		
	Mrs.	Shamoum M. A. Alamin		
MANAGEMENT	Mr.	Rajni Varia	-	Managing Director
	Mrs.	Hope Murera	-	General Manager
	Mr.	Benjamin Kamanga	-	Finance Director
	Mr.	Ronald Kasapatu	-	Operations Director
	Mr.	Jerry Sogoli	-	Company Secretary
	Mr.	Joseph Nabimanya	-	HR & Administration Manager
	Mr.	Kenneth Oballa	-	Training Manager
	Mr.	Sammy Silamoi	-	Chief Accountant
	Mr.	Victor Chasinda	-	ICT Manager
	Mr.	Ali Osman	-	Head, ZEP-RE Retakaful Window, Sudan
	Ms.	Hanta Raolison	-	Country Manager, Cameroon
	Mr.	Shipango Muteto	-	Country Manager, Zambia

HEAD OFFICE

Nairobi, Kenya
ZEP-RE Place
Longonot Road, Upper Hill
P. O. Box 42769 - 00100
Nairobi, Kenya
Telephone: +254 20 2738221/4973000
Fax: +254 20 2738444
Email: mail@zep-re.com
Website: www.zep-re.com

RETAKAFUL WINDOW

Khartoum, Sudan
Reinsurance House Building
P. O. Box 3224
Khartoum, Sudan
Telephone: +249 183 799357/8
Fax: +249 183 799359
Email: zep-re@sudanmail.net

Corporate Information (Continued)

REGIONAL OFFICES	Lusaka, Zambia No. 54, Plot No. 1014A, Church Road, Rhodes Park P.O. Box 36966 Lusaka, Zambia	
	Telephone:	+260 211 252586
	Fax:	+260 211 251227
	Email:	email@zep-re.com.zm
	Douala, Cameroon AIO Building, 2nd Floor B.P. 12671 Charles De Gaulle Avenue Bonajo, Douala, Cameroon	
	Telephone:	+237 33 47265
	Fax:	+237 33 420472
AUDITORS	Deloitte & Touche Certified Public Accountants (Kenya) Deloitte Place, Waiyaki Way, Westlands P.O. Box 40092 – 00100 Nairobi, Kenya	
BANKERS	Standard Chartered Bank Kenya Limited Standard Chartered @ Chiromo, Level 5, 48 Westlands Road, P.O. Box 40984 - 00100 Nairobi, Kenya	
	Stanbic Bank Zambia Limited Woodgate House, Nairobi Place, Cairo Road, P.O. Box 319555 Lusaka, Zambia	
	Lloyds TSB Bank PLC Business Banking Service Center 113 – 116 Leadenhall Street London, EC3A 4AX United Kingdom	
	Kenya Commercial Bank Limited University Way Branch P.O. Box 7206 - 00300 Nairobi, Kenya	
	Sudanese French Bank P.O. Box 2775 Khartoum, Sudan	
	SCB Cameroon 530, Rue du Roi George B.P. 300 Douala, Cameroon	

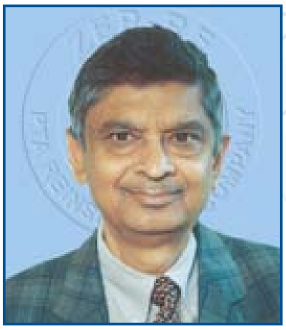
Directors' Profiles

Dr. Michael Gondwe

Dr. Michael Gondwe is the Chairman of the Board. He was appointed to this position in May 2009 and had previously served as a non Executive Director of ZEP-RE since 2000. Dr. Gondwe holds Law degrees from Universities of Zambia and Virginia, a Masters degree in Business Administration from Moi University, a Diploma in Financial Management from the Kenya College of Accountancy and is an alumnus of the Advanced Management Program of the University of Oxford. Dr. Gondwe has extensive work experience in the banking industry and is currently the President of the PTA Bank, a sister COMESA institution and a leading regional development institution and holds a directorship position with Gulf African Bank.

Ms. Irene Muyenga

Ms. Irene Muyenga is the Vice-Chairperson of the Board. She was appointed to this position in May 2010 and had previously served as a non-Executive Director of ZEP-RE since 2004. Ms. Muyenga holds a Bachelor of Arts (Ed) degree from the University of Zambia, an LIII diploma from Bombay and a DIS diploma from the Business Insurance Institute of Zambia. Ms. Muyenga has an extensive working experience in the insurance industry and is currently the Group Managing Director of ZSIC Limited in Zambia. She also holds directorship positions in the following institutions: ZAMBEEF Limited, Barclays Bank of Zambia Limited, ZSIC Group, Mulungushi University and the Institute of Directors of Zambia.



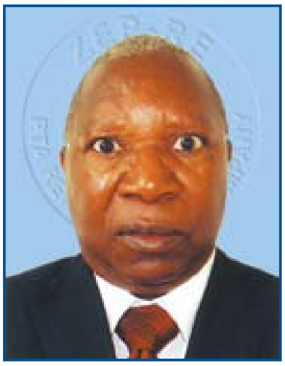
Mr. Rajni Varia

Mr. Rajni Varia is the Managing Director of ZEP-RE. He has served in this position since October 2008. Mr. Varia holds a Bachelor of Science degree in Engineering from the University of East Africa. Before joining ZEP-RE, Mr. Varia had served in various positions including as a Consulting Engineer for Kenya Glassworks and Gasston and Barbour, Chief Representative and Resident Engineer for the Munich Re (East Africa) office and member of the Operational Management team at Munich Re. Rajni Varia is a renowned expert in engineering insurance and has facilitated many training sessions in this field. He is currently a visiting lecturer in engineering insurance at the West African Insurance Institute in Gambia. Mr. Varia also holds a directorship position with Tanzania National Reinsurance Corporation Limited (TANRE).

Mr. Aden Saleh

Mr. Aden Saleh is a non-Executive Director of ZEP-RE and has served on the Board of ZEP-RE since 2007. Mr. Saleh holds a Masters Degree in Insurance from the International Insurance Institute in Yaounde, Cameroon. Mr. Saleh has a lengthy experience in insurance regulation, having been involved in reforming the insurance sector in Djibouti by preparing a new insurance regulatory framework that was adopted in 1999 and overseeing the creation of a new regulated market in 2001. Mr. Saleh is currently the Commissioner of Insurance of the Republic of Djibouti.

Directors' Profiles (continued)



Mr. Albert Nduna

Mr. Albert Nduna is a non-Executive Director of ZEP-RE. He joined the Board of ZEP-RE in May 2010. He is a graduate from the University of Lancaster in UK in Accounting and Finance and holds a Masters in Business Administration from Bradford University in the UK. He has served in various positions in the private sector and public sector and is currently the Group Managing Director of ZIM Re Holdings. Mr. Nduna currently holds directorship positions in a number of companies in Zimbabwe, Malawi, Mozambique, South Africa and Uganda.

Ms. Amna Ali Mohammed

Ms. Amna Ali Mohammed is a non-Executive Director of ZEP-RE and has served on the Board of ZEP-RE since 2004. Ms. Ali holds a Master of Science (Economics) degree, a postgraduate diploma in Commercial law and an ACII diploma. Ms. Ali is currently the General Manager of Insurance Supervisory Authority of Sudan and holds Directorship positions with National Agency for Finance and Insurance of Exports and National Reinsurance Company of Sudan.

Mr. Elias Baingana

Mr. Elias Baingana is a non-Executive Director of ZEP-RE. He joined the Board of ZEP-RE in May 2010. Mr. Baingana holds a Bachelor of Arts, Economics (Hons) degree and a Masters degree in International Taxation from Sydney University (Australia). He has extensive work experience in the government having previously served as Director of Corporate Planning, Research and Statistics in the Rwanda Revenue Authority and Director of National Budget in the Ministry of Finance and Economic Planning. He is currently the Director General of National Budget in the Ministry of Finance and Economic Planning of the Government of Rwanda. Mr. Baingana currently holds directorship positions at the Students Financing Agency for Rwanda (SFAR) and the Fund for Support of Genocide Survivors (FARG).

Mr. Justine Mwandu

Mr. Justine Mwandu is a non-Executive Director of ZEP-RE. He joined the Board of ZEP-RE in May 2010. Mr. Mwandu holds a Master of Arts degree in Public and Social Administration from Brunel University, London; an Advanced Diploma in Insurance and a Postgraduate Diploma in Financial Management, both from the Institute of Finance Management, Dar-es-Salaam; and an ACII diploma, UK. Mr. Mwandu is currently the Acting Managing Director of National Insurance Corporation of Tanzania. He is also Chairman of the Insurance Examination Board at the Institute of Finance Management, Dar-es-Salaam.

Directors' Profiles (continued)

Mrs. Nelius Kariuki

Mrs. Nelius Kariuki is a non-Executive Director of ZEP-RE. She joined the Board of ZEP-RE in May 2010. Mrs. Kariuki is a holder of a Bachelor of Arts, Economics (Hons) degree and a Masters of Art (Econ) degree from the University of Nairobi. She worked in various positions in the government rising to the level of Principal Economist. Mrs. Kariuki is currently the Chairperson of Kenya Reinsurance Corporation, ZEP-RE's largest shareholder and a member of the Institute of Directors (Kenya).

Mr. Tushar Shah

Mr. Tushar Shah is a non-Executive Director of ZEP-RE and has served on the Board of ZEP-RE since 2009. Mr. Shah is an automobile engineer by profession and is currently the Managing Director of Mayfair Insurance Company in Kenya.

Mr. William Erio

Mr. William Erio is a non- executive Director of ZEP-RE and has served on the Board of ZEP-RE since 2006. Mr. Erio holds Bachelor of Laws degree from the University of Dar es Salaam and a Master of Laws degree from the University of Hull. Mr. Erio currently serves as the Director General of the Parastatal Pensions Fund of Tanzania. He also holds directorship positions in Tanzania National Reinsurance Corporation Limited, Azania Bank, IHPL Limited, Tanzania Tea Packers Limited (TATEPA) and PPL Limited.

Notice of the 20th Annual General Assembly

NOTICE IS HEREBY GIVEN that the 20th Annual General Assembly of ZEP-RE (PTA Reinsurance Company) will be held in Victoria Falls, Zimbabwe on Friday 27th May 2011 at 0830 hours Zimbabwean time.

VENUE

Kingdom Hotel, Victoria Falls, Zimbabwe.

BY ORDER OF THE BOARD

Jerry Sogoli
Secretary to the Board

Note

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on their behalf. A proxy need not be a member of the Company. To be valid, a proxy form, which is provided with this NOTICE, must be duly completed by the member and lodged at the Company's headquarters on 8th Floor, ZEP-RE Place, Longonot Road, Upper Hill Nairobi by post, fax or email in time using the following address - P.O. Box 42769 00100 Nairobi, Kenya, Fax - +25420273844 4 or Email - mail@zep-re.com so as to reach the Company not later than Friday 13th May 2011.

Report of the Chairman of the Board of Directors

Foreword

On behalf of the Board of Directors, I am delighted to present to you the Company's Annual Report and Financial Statements for the year ended 31 December 2010 following another solid operational performance despite the challenging economic environment.

Business Environment

The rebound in the Sub-Saharan Africa's economic growth that started in early 2010 was sustained throughout the year. Strong domestic demand and surging exports helped boost growth in most of the region resulting in performance that matched the pre-crisis levels in 2007. The IMF reports that strong domestic demand and resurgent exports were projected to boost average growth rates in the region to between 5 % and 5 ½% by year end.

The above notwithstanding, there was a legacy of elevated unemployment levels in countries with more developed manufacturing sectors, a factor that resulted in weakened fiscal balances. Credit growth in general also remained subdued.

Highlights of performance

I. Premiums

Premium income grew by 7.3% from US$ 55.75 million in 2009 to US$ 59.84 million in 2010. Although premium growth in original currencies was good, the depreciation of major regional currencies against the United States dollar impacted negatively on the premiums written in 2010.

II. Performance in key markets in the region

The economic factors prevailing in the key markets of the Company during the period including the operational performance of the Company in these territories is shown below:-

Kenya

Kenya remained the Company's largest market. During the period under review Kenya's economy experienced a 4.5% GDP growth largely due to a rebound in tourism; expansion in telecommunications, transport, and construction; and, a recovery in agriculture. These improvements were supported by investment friendly regulatory reforms to simplify both foreign and local investments and the resumption of increased foreign exchange inflows from remittances by non-resident Kenyans. The Company wrote US$ 20.53 million in premium income from the Kenyan market, representing 34.38% of all premiums written in the year.

Kenya remains an important market for the Company given the size of the market and the fact that the Company has a physical presence in Kenya. The Company's strategy going forward is to consolidate its current position while pursuing further growth in profitable business.

Uganda

During the period under review, Uganda's real economic growth was 6%, higher than that of many other comparable economies. The growth was mainly due to sustained macroeconomic policies, a flexible labour market and access to international markets. This growth in the country's economy has seen Uganda become the Company's second largest market. ZEP-RE wrote US$ 4.77 million in premium income from this market in 2010, a figure that represents 7.97% of the total premiums written in 2010.

Sudan

Sudan was the third largest market of the Company in 2010. A Retakaful Window was established and started operations during the period under review in order to cater for the sharia compliant business needs of the market. The creation of the Retakaful Window caused a drop of 10.84% in business written compared to the previous year. Like other markets in the region, Sudan has rebounded from the slump that afflicted regional economies and recorded a GDP growth of 5.2% in 2010. The growth was mainly attributable to increased demand for oil from the global market. During the period under review ZEP-RE wrote US$4.58 million in premium income from this market, representing 7.67% of total premiums written by the Company.

As regards the Retakaful Window, ZEP-RE is the Manager and the sole reinsurer of the Window.

Report of the Chairman of the Board of Directors (continued)

Highlights of performance (Continued)

Tanzania

Tanzania was the fourth largest market of the Company in 2010. Like other markets in the region, Tanzania rebounded from the slump that afflicted regional economies and recorded a GDP growth of 5.7% in 2010. The good growth was attributable to good performance in the agricultural industry, traditional exports and the manufacturing industry. During the period under review, ZEP-RE wrote US$ 4.53 million in premiums from the Tanzanian market a figure that represents 7.57% of total premiums written in 2010.

Ethiopia

Ethiopia was the fifth largest market of the Company in 2010. The Ethiopian economy has been one of the fastest growing in the region and in 2010 it recorded a real GDP growth of 6.5%. The good performance was mainly driven by growth in the agricultural sector and increased investment in infrastructural projects. During the period under review ZEP-RE wrote US$4 million in premium income from this market, representing 6.71% of total premiums written by the Company.

Zambia

Zambia was the sixth largest market of the Company in 2010. The Company has a physical presence in Lusaka, having opened an office in 2007. During the period under review the Zambian economy grew by 5%. The growth was mainly attributable to renewed worldwide demand in commodity and mineral prices including Zambia's main export copper; growth in the agriculture sector and recovery in the tourism sector. ZEP-RE wrote US$ 3.65 million in premium income from this market in 2010 representing 6.10% of total premiums written by the Company.

III. Underwriting results

In 2010 the Company's underwriting profit marginally dropped to US$ 3.79 million from US$ 3.86 million in 2009. Underwriting performance was affected by a number of large claims incurred during the year including the Ms Chitra, a marine claim involving various cedants in Kenya, Best Packaging, a fire claim from Sudan and Aban Offshore, a marine claim from India. Net claims incurred in 2010 were US$ 25.95 million compared to US$ 23.44 million in 2009.

IV. Outstanding claims provision

The Company's outstanding claims increased to US$ 27.2 million in 2010 from US$ 20.0 million in 2009.

V. Investments

Investments increased to US$ 73.5 million in 2010 from US$ 64.4 million in 2009, while investment income increased to US$ 4.43 from US$ 4.04 in 2009.

VI. Profitability

The Company achieved a profit of US$ 5.25 million in 2010 compared to US$ 6.43 million in 2009. The decrease in profitability is attributable to a number of large losses incurred in 2010 and increased exchange losses.

Dividend

Based on these results, the Board of Directors is recommending a dividend of US$ 1.31 million compared to US$ 1.2 million in 2009. This proposal is in line with the Company's dividend policy which provides that the Board may recommend at most 25% of the Company's profits in any given year for pay out as dividends.

Report of the Chairman of the Board of Directors (continued)

New Board of Directors

The 19th Annual General Assembly held on 10th May 2010 elected a new Board of Directors to serve for a term of three years.

The General Assembly also re-elected Dr. Michael Gondwe as Chairman and Ms. Irene Muyenga as the new Vice Chairperson.

Security Rating

The Company maintained its financial rating of “B” and issuer credit rating of “bb+” with AM Best rating agency. The Company also maintained its credit rating of AA with Global Credit Rating Co. (GCR) of South Africa.

The good ratings were mainly attributable to the Company’s improved risk adjusted capitalisation, good underwriting performance and a robust risk management framework. The positive outlook was a reflection of the expectation of sustained improvements in underwriting performance and risk based capitalisation as the Company pursued its growth objectives.

Admission of the African Development Bank (AfDB) into membership of ZEP-RE

Members will recall that in November 2010 the 2nd Extra Ordinary General Assembly of the Company was convened to specifically admit the African Development Bank into membership of the Company. During AfDB’s Board of Directors meeting held on 24th February 2011 an approval was given for the purchase of the 5,381,295 shares valued at US$ 9,094,389.

Appreciation

We take this opportunity to recognize the exiting and newly elected Board of Directors for the wise counsel, support, direction and service they have given as members of the Board and various Board committees.

To management and staff, we are grateful for your hard work that ensured the Company achieved good results in spite of the various challenges.

To our shareholders, we thank you for the continued support and confidence in the Board of Directors and management.

To our business partners and other stakeholders, we thank you for your cooperation and support and look forward to continued fruitful association in the years ahead.

Outlook

In 2011, the world output is expected to rise by 4%. Growth in emerging markets is expected to be robust and strong. The sub-region, which comprises our core markets, is expected to register and in some instances surpass growth experienced in the pre financial crisis period. This renewed business confidence coupled with our focus to consolidate our current business and grow in new markets should put us in good stead to achieve the goals and objectives set out in our 6th Corporate Plan.

BY ORDER OF THE BOARD OF DIRECTORS

Michael Gondwe

Dr. Michael Gondwe
Chairman

29 April 2011

Corporate Governance Report

GOVERNANCE STATEMENT

ZEP-RE is committed to the principles of good Corporate Governance. We strive to adhere to responsible company management and control that is aimed at long term creation of wealth and value for our shareholders. We place critical importance on promoting and respecting the interests of shareholders, efficient supervisory practices at Board level and a communication policy that is open and transparent both internally and externally.

The key aspects of our approach to Corporate Governance are as follows: -

CORPORATE GOVERNANCE STANDARDS

As a regional organisation, ZEP-RE is not subject to any one particular local jurisdiction but has the benefit of drawing upon best practices of corporate governance from different parts of the world including the Australian Code of Corporate Governance Principles and Recommendations, the CACG Guidelines: Principles for Corporate Governance in the Commonwealth, the Kenyan Code of Best Practice for Corporate Governance, and the UK Corporate Governance Code.

GOVERNANCE STRUCTURE

ZEP-RE is a limited liability company governed by the Agreement establishing the Company, a multi-state agreement that established the Company and governs the way it operates. The Company has three main governing organs namely the General Assembly, the Board of Directors and Management team.

General Assembly

The General Assembly is the highest organ of the Company and is constituted by the shareholders. All powers of the Company are vested in it.

At ZEP-RE, the principle of "one share, one vote" applies. Shareholders may exercise their voting rights personally or through a proxy appointed in writing.

Board of Directors

Role

The Board of ZEP-RE is responsible for the overall direction of the business of the Company and is accountable to the shareholders for the operations of the Company. The terms of service of the Board are determined by the General Assembly.

Appointment

The appointment of the Board Members is done every three years through a formal and transparent election process that involves the entire membership of the Company. Each member is given the opportunity to nominate candidates to the vacant positions of Director and Alternate Director and all members participate in the voting and appointment of Directors. Mid-term replacements are done through transparent by-elections.

Composition

The current Board comprises 10 non-executive Directors and the Managing Director serving in an ex officio capacity.

Senior management officials of the Company attend Board meetings by invitation.

Access to information and resources

All Directors have access to management and to such information as is needed to carry out their duties and responsibilities fully and effectively. The Board is also kept informed of the latest developments regarding the Company's business.

Corporate Governance Report (continued)

Board of Directors (Continued)

Access to information and resources (Continued)

During the year, Directors were provided with appropriate and timely information by management to enable the Board maintain full and effective control over strategic, financial, operational and compliance issues. Among the important issues considered by the Board in 2010 included approval of the 2009 financial statements, review of operational performance in 2010, and approval of the 2011 budget and retrocession programme.

Implementation of strategy

The responsibility for implementing strategy and day to day operations has been delegated to the Managing Director and the Management team.

Charter

The Board of Directors is guided by a Charter that steers Board operations and helps take advantage of each member's professional competencies and personal qualities to ensure the effectiveness of Board operations.

Other legal instruments

In addition, the Board has in place other legal instruments including an Evaluation Policy that is meant to help review the team's performance; Rules of Procedure to guide the conduct of meetings and a Code of Business Conduct and Ethics.

Internal Control Framework

The Board acknowledges its overall responsibility for the Company's internal control system and for reviewing its effectiveness. Management is accountable to the Board for monitoring this system and for providing assurance that it has done so. The Company has in place an internal control framework that is meant to ensure that the business, operational, financial and compliance risks are effectively managed.

Board Committees

To assist the Board in the performance of its duties, various Committees have been established including the Audit Committee, the Investments Committee and the Human Resources Committee. The Committees operate under clearly defined mandates which spell out their responsibilities, scope of authority and procedure for reporting to the Board.

The Committees have unlimited access to Company information, the advice and services of Management and may seek independent professional advice on any matter within their purview.

Board Audit Committee

The Board Audit Committee comprises Ms. Irene Muyenga (Chairperson), Mr. Elias Baingana, Mr. Aden Saleh Omar and Mr. Alex Gitari. Mr. Gitari was incorporated in the committee as a means of augmenting the skills of the Audit Committee by including a member with professional background in Accounting and Finance in line with international best practice.

The Committee serves in an advisory capacity to the Board and ensures that the Company's assets are safeguarded, that there is in place an adequate control framework and material corporate risks are being managed. The Committee met twice in 2010.

The External Auditor and Internal Auditor have unrestricted access to and submit formal reports to the Audit Committee.

Board Investments Committee

The Board Investments Committee comprises Mr. William Erio (Chairman), Mrs. Nelius Kariuki, Mr. Tushar Shah and Mr. Rajni Varia. The Committee advises the Board on policy issues pertaining to investments. The Investments Committee met twice in 2010.

Corporate Governance Report (continued)

Board Committees (Continued)

Board Human Resources Committee

The Board Human Resources Committee comprises Ms. Amna Ali Mohammed (Chairperson), Mr. Albert Nduna and Mr. Justine Mwandu. The Committee is mandated to monitor, evaluate, and advise the Board regarding remuneration, benefits and general human resources issues. The Human Resources Committee met twice in 2010.

The Committees through their respective Chairpersons submitted reports to the Board.

Directors' Remuneration

For services on the Board and Board Committees, Directors received remuneration in line with terms approved by the General Assembly. In 2010 the aggregate amount of emoluments received by Directors is shown in Note 34 (ii) to the financial statements.

Board Attendance in 2010

The table below shows meeting attendance by Board Members in 2010

	63rd Board meeting	64th Board meeting	19th AGM	65th Board meeting
Dr. Michael Gondwe	✔	✔	✔	✔
Ms. Irene Muyenga	✔	✔	✔	✔
Mr. Rajni Varia	✔	✔	✔	✔
Mr. Aden Saleh Omar	✔	✔	✔	✔
Ms. Amna Ali Mohammed	✔	✔	✔	✔
Mrs. Eunice Mbogo (retired)	✔	×	×	Retired
Mrs. Margaret Ikongo (retired)	✔	✔	✔	Retired
Mrs. Marie Claire Mukasine (retired)	✔	✔	✔	Retired
Mr. Tushar Shah	✔	✔	✔	✔
Mr. Venancio Mondlane (retired)	✔	✔	✔	Retired
Mr. William Erio	✔	✔	✔	✔
NEW APPOINTMENTS IN MAY 2010, AT THE 19th AGM				
Mr. Elias Baingana				✔
Mr. Justine Mwandu				✔
Mrs. Nelius Kariuki				✔
Mr. Albert Nduna				✔

Managing Director and the Management team

The Managing Director is responsible for the day to day running of the Company. He or she is appointed by the General Assembly upon recommendation of the Board of Directors on a five year renewable contract. He or she reports regularly to the Board on the operations of the Company.

The Managing Director is assisted in his or her role by a Management team. The members of the Management team are appointed by the Board of Directors usually on a five year renewable contract. Various rules and policy documents issued by the Board of Directors determine the manner Management shall manage the Company and carry out decisions.

The Board monitors the performance of Management and gives counsel and direction where necessary. Certain issues and transactions such as strategy direction, major investments or capital expenditure require the approval of the Board. The Board does not engage in day to day operational issues.

Corporate Governance Report (continued)

TRAINING

The Company's main training objective is to become the trainer of choice for the region.

To this end the Company has put in place a dedicated training department that assesses the technical needs of the insurance industry in the region and develops capacity building programs aimed at plugging these skill gaps.

In 2010 the Company undertook training workshops in various countries of the region including Kenya, Tanzania, Zambia, Gambia, Ethiopia, Sudan, Uganda and Senegal.

The training workshops and seminars were fully sponsored by ZEP-RE.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

ZEP-RE continues to attach critical importance to CSR as part of its responsibility towards society and upholding one of its core values, to be a responsible corporate citizen. The Company diversified the CSR initiative which previously focused on education, health, and poverty alleviation to include environmental support.

Tree Planting (Ngong Hills, Kenya)

As a contribution to reforestation efforts in Kenya, the Company partnered with Kenya Forest Service (KFS) and planted trees on a hectare of forest land in Ngong Hills, Kenya. The Company prepared the land, bought seedlings and planted them in the hills on 5th June 2010 which was also the World Environment Day. In order to sustain the tree planting initiative, the Company intends to secure a 3 year lease with KFS.

Farasi Lane Primary School (Nairobi, Kenya)

During the year, the Company continued to support Farasi Lane Primary School, a school located in the outskirts of Nairobi which caters for under privileged children from low income families. The school has approximately 800 children from the area who are from poor backgrounds.

In October 2010, ZEP-RE purchased a greenhouse and donated it to Farasi Lane Primary School. This was aimed at improving the school meals. The initiative was well received and it revamped the school's capacity to provide meals for the pupils. The head teacher of Farasi Lane Primary School informed the ZEP-RE CSR team that the school was enjoying vegetables produced from the greenhouse and that they even had a tomato surplus which they sold in the local market to subsidise a few other costs.

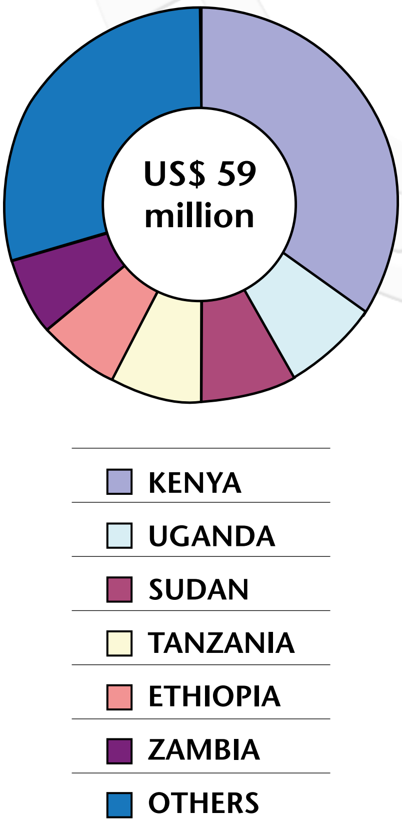
Farasi Lane greenhouse

Tomato plants inside the greenhouse

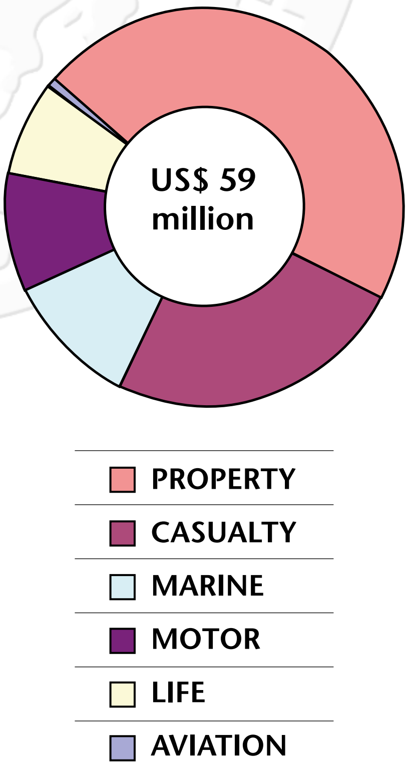
Financial Highlights

	2006 US$	2007 US$	2008 US$	2009 US$	2010 US$
Gross Premium Written	32,474,910	37,923,564	45,986,500	55,748,911	59,843,116
Net Written Premiums	25,163,239	29,536,935	36,892,542	44,266,616	46,042,768
Net Earned Premiums	23,759,751	27,720,240	34,894,101	40,214,408	45,265,343
Investment & other Income	3,674,274	6,343,962	7,543,712	8,253,469	10,117,026
Total Income	27,434,025	34,064,202	42,437,813	48,467,877	55,382,369
Claims Incurred	14,562,673	16,927,172	18,479,657	23,437,454	25,953,444
Commisions & other operating expenses	10,395,966	11,881,041	22,047,072	18,602,983	24,181,663
Profit for the year	2,475,386	5,255,989	1,911,084	6,427,440	5,247,262
Dividends Paid & Capitalized	500,000	750,000	480,000	1,200,000	1,311,000
Total Assetts	43,965,256	60,231,209	75,406,013	87,128,548	103,110,370
Total Equity	17,641,112	23,471,063	38,349,530	44,474,180	49,987,272

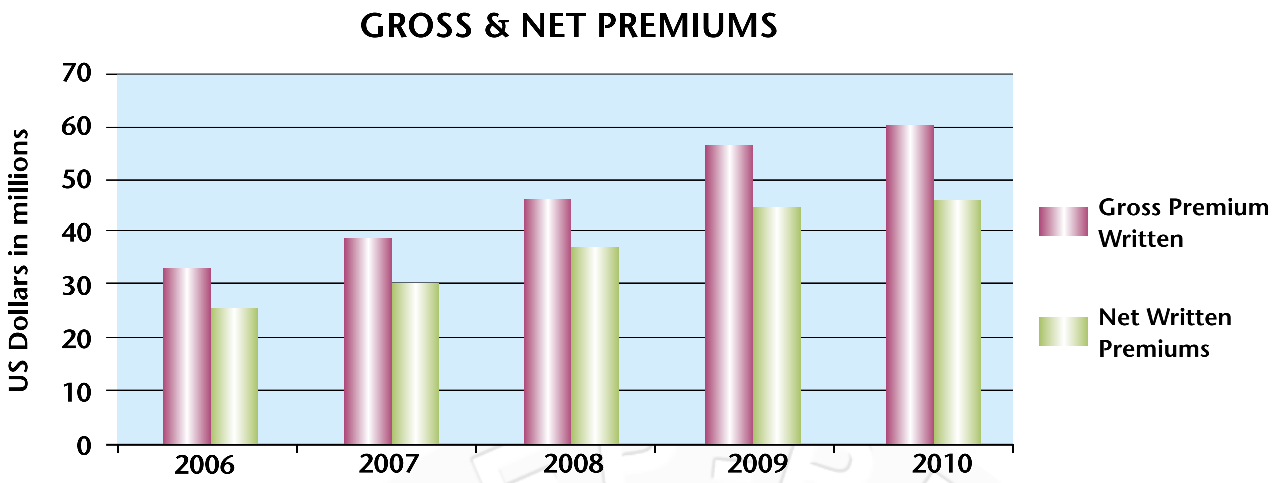
PREMIUM DISTRIBUTION PER COUNTRY

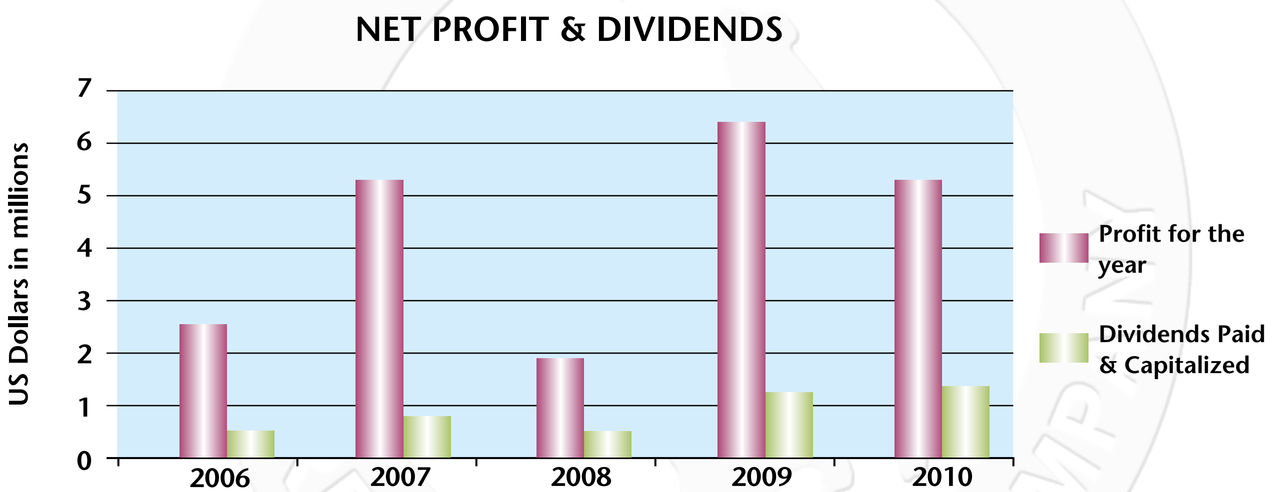


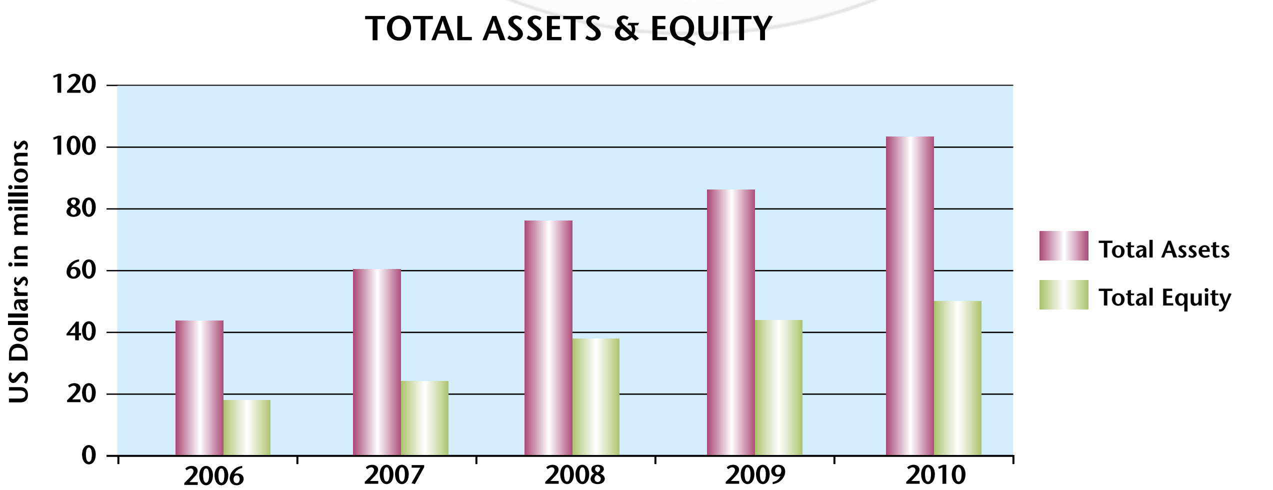
PREMIUM PER CLASS



Financial Highlights (Continued)







Directors' Report

The Board of Directors hereby submit their report together with the audited financial statements for the year ended 31 December 2010 which discloses the state of affairs of the Company. The report is made in accordance with the provisions of Article 31 of the Agreement establishing ZEP–RE (PTA Reinsurance Company).

PRINCIPAL ACTIVITIES

The Company underwrites all classes of life and non-life reinsurance risks as mandated under Article 5 paragraph 1 of the Agreement establishing ZEP–RE (PTA Reinsurance Company).

The business is divided into the following classes:

- Property
- Casualty
- Motor
- Marine
- Aviation
- Life

RESULTS AND DIVIDEND FOR THE YEAR

The profit for the year of US$ 5.25 million (2009: US$ 6.43 million) has been transferred to retained earnings.

The directors recommend the approval of a dividend of US$ 1,311,000 (2009: US$ 1,200,000) for the year ended 31 December 2010.

DIRECTORS

The current Directors of the Company are shown on page 2.

Retirements from the Board

The following directors retired after the end of their three year term: Mrs. Margaret Ikongo, Mr. Venancio Mondlane, Mrs. Marie Claire Mukasine and Mrs. Eunice Mbogo. The Board would like to express sincere gratitude to the retired Directors for the committed service they rendered to the Company during their tenure.

New Appointments to the Board

The following new Directors were appointed to the ZEP-RE Board in 2010: Mrs. Nelius Kariuki, Mr. Albert Nduna, Mr. Justine Mwandu and Mr. Elias Baingana.

The General Assembly also appointed a new Vice Chairperson, Ms. Irene Muyenga

SECRETARY

Mr. Jerry Sogoli continued in service as the Company Secretary.

AUDITORS

In line with best practice, the recruitment of External Auditors for the forthcoming year will be subjected to a competitive bid. Accordingly, a resolution containing proposals in this regard will be submitted to the Annual General Assembly.

BY ORDER OF THE BOARD OF DIRECTORS

SECRETARY

29 April 2011

Statement of Directors' Responsibilities

Article 31 of the Agreement establishing ZEP–RE (PTA Reinsurance Company) requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the operating results of the Company for that year. It also requires the directors to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by Article 31 of the Agreement establishing ZEP–RE (PTA Reinsurance Company), and for such controls as the directors determine as necessary to enable preparation of financial statements that are free from material misstatements, whether due to fraud or error.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and as per the Agreement establishing ZEP–RE (PTA Reinsurance Company). The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

Dr. Michael Gondwe
Chairman

Rajni Varia
Managing Director

29 April 2011

Independent Auditors' Report

We have audited the accompanying financial statements of ZEP-RE (PTA Reinsurance Company) set out on pages 20 to 62 which comprise the statement of financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, together with the summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Article 31 of the Agreement establishing ZEP-RE (PTA Reinsurance Company), and for such controls as the directors determine as necessary to enable preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of financial affairs of the Company as at 31 December 2010 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of Article 31 of the Agreement establishing ZEP-RE (PTA Reinsurance Company).

Certified Public Accountants (Kenya)

Deloitte & Touche

29 April 2011

Nairobi

Statement of Comprehensive Income
For the year ended 31 December 2010

	Notes	2010	2009 Restated
		US$	US$
Gross premiums written	3	59,843,116	55,748,911
Less: Retrocession premiums		(13,800,348)	(11,482,295)
Net written premiums		46,042,768	44,266,616
Movement in unearned premiums reserve	27	(777,425)	(4,052,208)
Net earned premiums		45,265,343	40,214,408
Investment income	4	4,430,022	4,039,814
Commissions earned		5,138,517	3,992,031
Other income		548,487	221,624
Total income		**55,382,369**	**48,467,877**
Gross incurred claims	5	31,726,775	27,379,747
Less: amounts recoverable from retrocessionaires		(5,773,331)	(3,942,293)
Net claims incurred		**25,953,444**	**23,437,454**
Operating and other expenses	6	7,802,569	5,098,718
Commissions expenses		16,379,094	13,504,265
Total out go		**50,135,107**	**42,040,437**
Profit for the year	7	**5,247,262**	**6,427,440**
Other comprehensive income/(loss) for year			
(Loss)/gain on revaluation of property and equipment	24	(59,094)	202,252
Fair value gain/(loss) on available for sale equity investments	13	551,027	(82,275)
Foreign exchange (loss)/gain on revaluation of available for sale equity investments	13	(87,066)	29,251
Total other comprehensive income for the year		404,867	149,228
Total comprehensive income for year		**5,652,129**	**6,576,668**
Earnings per share:			
Basic and diluted	8	0.172	0.214

Statement of Financial Position
At 31 December 2010

	Notes	2010	2009 Restated	01.01.2009 Restated
ASSETS		**US$**	**US$**	**US$**
Property and equipment	10	1,350,223	1,469,198	1,366,406
Intangible assets	11	-	98,892	199,323
Investment properties	12	11,981,943	12,037,026	9,856,053
Available-for-sale equity investments	13	4,550,028	2,349,936	2,238,400
Receivables arising out of reinsurance arrangements	14	8,070,459	5,756,317	6,061,923
Deposits retained by ceding companies	15	2,066,665	1,743,500	1,767,078
Retrocessionaires share of technical liabilities	16	9,683,597	7,219,699	6,981,939
Other receivables	17	1,373,855	379,157	376,498
Deferred acquisition costs	18	6,085,319	5,530,299	3,802,185
Government securities	19	7,156,274	9,762,352	8,479,856
Deposits with financial institutions	20	49,837,655	40,225,184	34,103,602
Cash and bank balances	21	954,352	556,988	172,750
Total assets		**103,110,370**	**87,128,548**	**75,406,013**
EQUITY AND LIABILITIES				
CAPITAL AND RESERVES				
Share capital	23	30,514,101	30,011,275	29,998,013
Share premium	23	895,756	337,619	322,899
Property revaluation reserve	24	152,200	211,294	9,042
Available for sale fair value reserve	24	(360,471)	(824,432)	(771,408)
Retained earnings	25	18,785,686	14,738,424	8,790,984
Total equity		**49,987,272**	**44,474,180**	**38,349,530**
LIABILITIES				
Reinsurance contract liabilities	26	27,204,105	20,028,127	18,606,000
Unearned premiums reserve	27	18,092,905	16,344,880	11,345,926
Deferred income	28	66,830	67,645	68,460
Payables arising from retrocession arrangements	29	4,033,648	3,334,757	4,815,712
Deposits retained on ceded reinsurance business		311,383	316,391	291,710
Deferred retrocession commission revenue	30	2,120,655	1,697,551	1,283,700
Other payables	31	1,291,739	863,184	643,142
Dividends payable	32	1,833	1,833	1,833
Total liabilities		**53,123,098**	**42,654,368**	**37,056,483**
Total equity and liabilities		**103,110,370**	**87,128,548**	**75,406,013**

The financial statements on pages 20 to 62 were approved by the Board of Directors on 29 April 2011 and were signed on its behalf by:

Chairman

Managing Director

Statement of Changes in Equity

	Notes	Share capital	Share premium	Property revaluation reserve	Available for sale fair value reserve	Retained earnings	Total
		US$	US$	US$	US$	US$	US$
At 1 January 2009 – as previously reported		29,998,013	322,899	9,042	(771,408)	1,922,496	31,481,042
Effect of change in accounting estimate for unearned premiums reserve (UPR)		-	-	-	-	4,350,003	4,350,003
Recognition of Deferred Acquisition Cost (DAC)		-	-	-	-	3,802,185	3,802,185
Recognition of Deferred Retrocession Revenue (DRR)		-	-	-	-	(1,283,700)	(1,283,700)
At 1 January 2009 - restated		29,998,013	322,899	9,042	(771,408)	8,790,984	38,349,530
Dividends declared - 2008	32	-	-	-	-	(480,000)	(480,000)
Issue of shares through capitalisation of 2008 dividends	32	13,262	14,720	-	-	-	27,982
Total comprehensive income/(loss) for the year		-	-	202,252	(53,024)	6,427,440	6,576,668
At 31 December 2009		**30,011,275**	**337,619**	**211,294**	**(824,432)**	**14,738,424**	**44,474,180**
At 1 January 2010 – as previously reported		30,011,275	337,619	211,294	(824,432)	7,137,774	36,873,530
Effect of change in accounting estimate for UPR, DAC & DRR in 2008		-	-	-	-	6,868,488	6,868,488
Effect of change in accounting estimate for UPR, DAC & DRR in 2009		-	-	-	-	732,162	732,162
At 1 January 2010 - restated		30,011,275	337,619	211,294	(824,432)	14,738,424	44,474,180
Shares issued during the year	23	494,377	548,759	-	-	-	1,043,136
Dividends declared - 2009	32	-	-	-	-	(1,200,000)	(1,200,000)
Issue of shares through capitalisation of 2009 dividends	32	8,449	9,378	-	-	-	17,827
Total comprehensive income/(loss) for the year		-	-	(59,094)	463,961	5,247,262	5,652,129
At 31 December 2010		**30,514,101**	**895,756**	**152,200**	**(360,471)**	**18,785,686**	**49,987,272**

Statement of Cash Flows
For The Year Ended 31 December 2010

	Notes	2010 US$	2009 US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		5,247,262	6,427,440
Adjustments for:			
(Gain) / Loss on disposal of equipment		(1,168)	6,829
Fair value gain on investment properties	4	(593,298)	(620,326)
Depreciation	10	191,446	166,562
Amortisation of intangible assets	11	98,892	100,431
Exchange difference on revaluation of investment properties	12	648,381	(136,439)
Amortisation of deferred income	28	(815)	(815)
Changes in:			
Unearned premiums reserve	27	1,748,025	4,998,954
Reinsurance contract liabilities		7,175,978	1,422,127
Deposits retained by ceding companies		(323,165)	23,578
Deposits retained on ceded reinsurance business		(5,008)	24,681
Receivables arising out of reinsurance arrangements		(2,314,142)	305,606
Retrocessionaires share of technical liabilities		(2,463,898)	(237,760)
Payables arising out of retrocession arrangements		698,891	(1,480,955)
Deferred acquisition costs (DAC)		(555,019)	(1,728,114)
Deferred retrocession revenue (DRR)		423,104	413,853
Other receivables		(994,698)	(2,659)
Other payables		428,555	220,042
Net cash generated from operating activities		**9,409,323**	**9,903,035**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	10	(148,647)	(241,911)
Purchase of investment properties	12	-	(1,256,591)
Purchase of quoted shares	13	(1,736,131)	(164,560)
Purchase of held to maturity government securities		-	(2,279,120)
Proceeds on maturity of government securities		712,200	-
Proceeds of disposal of property and equipment		18,250	363
Net cash used in investing activities		**(1,154,328)**	**(3,941,819)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of issue of shares		1,043,136	-
Dividends paid	32	(1,182,173)	(452,018)
Net cash used in financing activities		**(139,037)**	**(452,018)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**8,115,958**	**5,509,198**
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**42,719,766**	**37,210,568**
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	35	**50,835,724**	**42,719,766**

Notes To The Financial Statements For The Year Ended 31 December 2010

1 ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards.

Adoption of new and revised International Financial Reporting Standards (IFRSs)

(i) Standards and interpretations affecting the reported result or financial position

(a) New standards and amendments to published standards effective for the year ended 31 December 2010

Amendments and revised standards	Effective for annual periods beginning on or after
IFRS 1, First-time adoption of International Financial Reporting Standards - revised and restructured	1 July 2009
IFRS 1, First-time adoption of International Financial Reporting Standards - amendments relating to oil and gas assets and determining whether an arrangement contains a lease	1 January 2010
IFRS 2, Share-based payment - amendments relating to group cash-settled share-based payment transactions	1 January 2010
IFRS 3 (Revised 2008), Business Combinations - comprehensive revision on applying the acquisition method	1 July 2009
IAS 27, Consolidated and Separate Financial Statements; IAS 28, Investments in Associates; and IAS 31, Interests in Joint Ventures - consequential amendments arising from amendments to IFRS 3	1 July 2009
IAS 39, Financial Instruments: Recognition and Measurement - amendments for eligible hedged items	1 July 2009
Various improvements resulting from April 2009 and May 2010 Annual Improvements to IFRSs	1 July 2009 and 1 January 2010
New interpretations	
IFRIC 17, Distributions of Non-cash Assets to Owners	1 July 2009
IFRIC 18, Transfers of Assets from Customers	Transfers received on or after 1 July 2009

(b) New and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2010

New and Amendments to standards	Effective for annual periods beginning on or after
IFRS 1, First-time Adoption of International Financial Reporting Standards – limited exemption from comparative IFRS 7 disclosures for first-time adopters	1 July 2010
IFRS 1, First-time Adoption of International Financial Reporting Standards – replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs'; and additional exemption for entities ceasing to suffer from severe hyperinflation.	1 July 2011
IFRS 7, Financial Instruments: Disclosures – amendments enhancing disclosures about transfers of financial assets	1 January 2011
IFRS 9, Financial Instruments – Classification and Measurement	1 January 2013
IAS 12, Income Taxes – limited scope amendment (recovery of underlying assets)	1 January 2012
IAS 24, Related Party Disclosures – revised definition of related parties	1 January 2011

Notes To The Financial Statements (continued)

1 ACCOUNTING POLICIES (Continued)

(a) Statement of compliance (Continued)

(i) Standards and interpretations affecting the reported result or financial position (Continued)

(b) New and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2010 (Continued)

New and Amendments to standards	Effective for annual periods beginning on or after
Various improvements resulting from May 2010 Annual Improvements to IFRSs	1 July 2010 and 1 January 2011
IAS 32, Financial Instruments: Presentation - amendments relating to classification of rights issues	1 February 2010
New interpretation	
IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

(c) Impact of new and amended standards and interpretations on the financial statements for the year ended 31 December 2010 and future annual periods

IFRS 9, Financial Instruments

IFRS 9 *Financial Instruments* issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that IFRS 9 that will be adopted in the Company's financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard will not have a significant impact on amounts reported in respect of the Companys' financial assets and financial liabilities.

Notes To The Financial Statements (Continued)

1 ACCOUNTING POLICIES (Continued)

(a) Statement of compliance (Continued)

(i) Standards and interpretations affecting the reported result or financial position (Continued)

(c) Impact of new and amended standards and interpretations on the financial statements for the year ended 31 December 2010 and future annual periods (Continued)

IAS 24 *Related Party Disclosures* (as revised in 2009)

This modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in IAS 24 (as revised in 2009) do not affect the Company because the Company is not a government-related entity. However, disclosures regarding related party transactions and balances in these financial statements may be affected when the revised version of the Standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the Standard.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments

This IFRIC provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Company has not entered into transactions of this nature. However, if the Company does enter into any such transactions in the future, IFRIC 19 will affect the required accounting. In particular, under IFRIC 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)

The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The amendment is effective for annual periods beginning on or after 1 January 2011. The Company will apply this amendment prospectively. The directors, however, anticipate no material impact to the Company financial statements.

d) Early adoption of standards

The Company did not early-adopt any new or amended standards in 2010.

(b) Basis of preparation

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards. The financial statements are presented in United States Dollars (US$), and prepared under the historical cost convention, as modified by the revaluation of certain property and equipment, and the carrying of investment property and available-for-sale investments at fair value and impaired assets at their recoverable amounts.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates. The estimates and assumptions are reviewed from time to time to reflect current realities.

Notes To The Financial Statements (Continued)

1 ACCOUNTING POLICIES (Continued)

(c) Income recognition

i) Premium

Gross written premium and the related expenses are based upon reports from ceding companies.

Premiums relating to the expired risk period are taken as earned and recognised as revenue for the period while premium relating to the unexpired risk period is treated as a provision for unearned premium.

Commissions receivable are recognised as income in the period in which they are earned.

ii) Retrocessions ceded

Retrocession premiums payable are recognised in the period in which the related premium income and claims are earned /incurred, respectively.

The Company uses retrocession arrangements to increase its aggregate underwriting capacity, to diversify its risk and to reduce its risk of catastrophic loss on reinsurance assumed. The ceding of risks to retrocessionaires does not relieve the Company of its obligations to its cedants. The Company regularly reviews the financial condition of its retrocessionaires. Premium and losses ceded under retrocession contracts are reported as reductions of premiums earned and claims incurred.

Retrocessionaires' shares of outstanding claims and unearned premium reserves are reported as assets in the statement of financial position.

iii) Claims incurred

Claims incurred comprise claims paid in the year and changes in the provision for outstanding claims. Claims paid represent all payments made during the year, 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 end of each reporting period, but not settled at that date. They are determined from time to time on the basis of the best information available at the time the records for the year are closed, and include provisions for claims incurred but not reported ("IBNR").

iv) Deferred acquisition costs (DAC) and deferred retrocession commission revenue (DRR)

Deferred acquisition costs and deferred retrocession commission revenue comprise insurance commissions, brokerage and other related expenses incurred and revenue received that relate to un-expired polices at year end.

v) Interest income

Interest income is recognized on a time proportion basis that takes into account the effective yield on the principal outstanding.

vi) Dividend income

Dividends receivable are recognised as income in the period in which the right to receive payment is established.

vii) Rental income

Rental income is recognised as income in the period in which it is earned.

All investment income is stated net of investment expenses.

Notes To The Financial Statements (Continued)

1 ACCOUNTING POLICIES (Continued)

(d) Currency translation

i) Functional and presentation currency

Even though the Company is domiciled in Kenya whose functional currency is Kenya Shilling, the Company operates in many countries and as a consequence has many functional currencies. The Company has chosen United States Dollar (US$) as its reporting currency. Monetary assets and liabilities expressed in the various functional currencies of member states are translated into United States Dollars (US$) using the closing rate method. Non-monetary items carried at fair value that are denominated in these functional currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a currency other than the US Dollar are not retranslated.

ii) Transactions and balances

Transactions during the year in currencies other than the US Dollar are translated using the exchange rates prevailing at the dates such transactions occur. The resultant gains or losses from such translation are recognised in profit or loss.

Closing balances are translated into the US Dollar at rates ruling at the end of each reporting period. The resultant translation gains or losses on short term assets and liabilities are recognised in profit or loss.

(e) Property and equipment

All property and equipment are initially recorded at cost. Land and buildings are subsequently shown at market value, based on valuations by external independent valuers, less subsequent depreciation and any accumulated impairment losses. All other property and equipment are stated at historical cost less depreciation and any accumulated impairment losses.

Increases in the carrying amount of land and buildings arising from revaluations are credited to other comprehensive income and accumulated in the revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve. All other decreases are charged to profit or loss.

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

Freehold land is not depreciated. Depreciation is calculated on other property and equipment on the straight line basis to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life as follows:

Buildings	50 years
Motor vehicles	4 years
Office furniture and fittings	8 years
Office equipment	8 years
Computers	3 years

Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts.

Notes To The Financial Statements (Continued)

1 ACCOUNTING POLICIES (Continued)

(f) Intangible assets – computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (not exceeding 5 years)

Costs associated with developing or maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. These costs are amortised over their estimated useful lives.

(g) Investment properties

Investment properties comprise land and buildings and parts of buildings held to earn rentals and/or for capital appreciation. They are carried at fair value, determined annually by external independent valuers. Fair value is based on active market prices as adjusted, if necessary, for any difference in the nature, condition or location of the specific asset.

Investment properties are not subject to depreciation. Changes in their carrying amount between the ends of each reporting periods are recorded through profit or loss.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

(h) Provision for bad & doubtful debts

Provisions are made against receivables when, in the opinion of the directors, recovery is doubtful. The aggregate provisions which are made during the year, less amounts released and recoveries of bad debts previously written off are dealt with in profit or loss. Bad debts are written off in part or in whole when the extent of the loss has been confirmed.

(i) Deferred income

This represents the value of a parcel of land at initial recognition (valued in 1994) owned by the Company. This land was granted to the Company by the Kenya Government. The amount is amortised over the lease period and is stated net of accumulated write-back to profit or loss.

(j) Employee entitlements

The estimated monetary liability for employees' accrued annual leave entitlements at the end of the reporting period is recognised as an expense accrual.

Entitlements to gratuity are recognised when they accrue to qualifying employees. A provision is made for estimated annual gratuity as a result of services rendered by employees up to the end of the reporting period.

The Company operates a provident fund, which is a defined contribution plan for its employees. The assets of the fund are held in separate trustee administered funds, which are funded from contributions from both the Company and employees.

The Company's obligations to the provident fund are charged to profit or loss as they fall due.

Notes To The Financial Statements (Continued)

1 ACCOUNTING POLICIES (Continued)

(k) Cash and cash equivalents

Cash and cash equivalents are carried in the Statement of Financial Position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held with banks, other short-term highly liquid investments with original maturities of six months or less.

(l) Receivables and payables related to reinsurance contracts

Receivables and payables are recognised when due. These include amounts due to and from cedants and brokers. If there is objective evidence that the reinsurance receivable is impaired, the Company reduces the carrying amount of the reinsurance receivable accordingly and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that a reinsurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets.

(m) Financial instruments

A financial asset or liability is recognised when the Company becomes party to the contractual provisions of the instrument.

i. Financial assets

Classification

The Company classifies its financial assets into the following categories: Financial assets at fair value through profit or loss; loans, advances and receivables; held- to- maturity investments; and available-for-sale assets. Management determines the appropriate classification of its investments at initial recognition.

i) 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 into this category at inception 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-taking, or if so designated by management. The Company had no investments in this category at 31 December 2010 and 31 December 2009.

ii) 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. Loans, receivables arising from reinsurance and retrocession contracts and other receivables for the Company fall under this category.

iii) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities – other than those that meet the definition of loans and receivables - that the Company's management has the positive intention and ability to hold to maturity. Government securities have been classified in this category.

iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Investments in quoted and unquoted shares are classified as available -for-sale.

Notes To The Financial Statements (Continued)

1 ACCOUNTING POLICIES (Continued)

(m) Financial instruments (Continued)

i. Financial assets (Continued)

iv) Available-for-sale financial assets(Continued)

The fair value of available-for-sale monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income and accumulated in the translation reserve.

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

Recognition

Purchases and sales of investments are recognised on trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Investments are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

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 financial assets are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss as net realised gains/losses on financial assets.

The fair values of quoted investments are based on current bid prices. Equity securities for which fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

The Company assesses at each end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following loss events:

a) significant financial difficulty of the counterparty;

b) a breach of contract, such as default or delinquency in interest or principal repayments;

c) the Company granting to the counterparty, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the Company would not otherwise consider;

d) it becoming probable that the counterparty will enter bankruptcy or other financial reorganisation.

Notes To The Financial Statements (Continued)

1 ACCOUNTING POLICIES (Continued)

(m) Financial instruments (Continued)

i. Financial assets (Continued)

Impairment of financial assets (Continued)

e) the disappearance of an active market for that financial asset because of financial difficulties; or observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
- adverse changes in the payment status of counterparty in the group; or
- national or local economic conditions that correlate with defaults on the assets in the group.

The estimated period between a loss occurring and its identification is determined by management for each identified portfolio as explained below:

(i) Assets carried at amortised cost

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial instrument's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Company's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

Notes To The Financial Statements (Continued)

1 ACCOUNTING POLICIES (Continued)

(m) Financial instruments (Continued)

Impairment of financial assets (Continued)

(ii) Assets carried at fair value

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

ii. Financial liabilities

Financial liabilities are initially recognised at fair value. After initial recognition, the Company measures all financial liabilities at amortised cost.

(n) Dividends

Dividends payable on ordinary shares are charged to equity in the period in which they are declared.

(o) Taxation

In accordance with Article 7 of the Headquarters Agreement between The Government of the Republic of Kenya and ZEP-RE (PTA Reinsurance Company), the Company is exempt from all forms of taxation.

(p) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. In particular, the comparative figures have been modified to include the change in accounting for UPR and recognition of DAC and DRR in these financial statements.

2 ESTABLISHMENT

The Company was established by member states of the then Preferential Trade Area for Eastern and Southern Africa (now COMESA) for purposes of:

a) Fostering the development of the Insurance and Reinsurance industry in the Comesa sub-region;
b) Promotion of the growth of national, sub-regional and regional underwriting and retention capacities; and
c) Supporting sub-regional economic development.

The Company is domiciled in Kenya and has regional offices in Zambia and Cameroon, and a Retakaful window in Sudan.

Notes To The Financial Statements (Continued)

3 GROSS PREMIUMS WRITTEN

(i) Class-wise distribution

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

	2010	2009
Class of business:	US$	US$
Property	27,900,241	24,771,466
Casualty	14,469,301	13,124,339
Motor	5,639,673	5,925,244
Marine	6,658,053	5,988,376
Aviation	246,468	258,346
Life	4,929,380	5,681,140
	59,843,116	55,748,911

(ii) Geographical distribution

	2010		2009	
Region	Gross premium	%	Gross premium	%
COMESA	43,872,959	73.31	41,595,720	74.61
Non – COMESA (Africa)	10,520,064	17.58	11,772,110	21.12
Other regions	5,450,093	9.11	2,381,081	4.27
Total	59,843,116	100.00	55,748,911	100.00

(iii) Type- distribution

Proportional	43,960,579	73.46	40,223,432	72.15
Non-proportional	11,614,852	19.41	11,853,871	21.26
Facultative	4,267,685	7.13	3,671,608	6.59
Total	59,843,116	100.00	55,748,911	100.00

4 INVESTMENT INCOME

	2010	2009
	US$	US$
Interest from government securities held to maturity	1,010,614	985,239
Interest from deposits with financial institutions	1,716,443	1,546,957
Rental income	914,429	813,609
Dividend income	180,579	65,914
Loan interest receivable	14,659	7,769
Fair value gain on investment properties (Note 12)	593,298	620,326
	4,430,022	4,039,814

Notes To The Financial Statements (Continued)

4 INVESTMENT INCOME (Continued)

	2010 US$	2009 US$
Investment income earned on financial assets, analysed by category of asset is as follows:		
Held-to-maturity investments	2,727,057	2,532,196
Loans and receivables	14,659	7,769
Available-for-sale investments	180,579	65,914
	2,922,295	2,605,879
Investment income earned on non-financial assets	1,507,727	1,433,935
Total investment income	4,430,022	4,039,814

5 GROSS INCURRED CLAIMS

	2010 US$	2009 US$
Gross settled claims	26,044,095	25,248,634
Change in outstanding claims	5,682,680	2,131,113
	31,726,775	27,379,747

6 OPERATING AND OTHER EXPENSES

	2010 US$	2009 US$
Employee emoluments and benefits (Note 9)	2,979,715	2,218,921
Auditors' remuneration	22,000	20,000
General assembly and board expenses	230,410	205,987
Depreciation (Note 10)	191,446	166,562
Amortisation of intangible assets (Note 11)	98,892	100,431
Loss on foreign exchange transactions	2,505,611	290,089
Impairment charge for doubtful receivables		
- arising from reinsurance premium receivables (Note 14)	552,344	714,336
- arising from retrocession arrangements (Note 14)	46,562	43,601
- arising from deposits retained by ceding companies (Note 14)	(138,063)	138,063
Repairs and maintenance	116,685	97,915
Premium taxes and charges	335,669	286,411
Property letting fees	7,400	15,097
Others	853,898	801,305
	7,802,569	5,098,718

7 PRIOR YEAR ADJUSTMENT

	US$
Profit for the year ended 31 December 2009	
- As previously reported	5,695,278
- Prior year adjustment	732,162
- As restated	6,427,440

The prior year adjustment is in respect of a change in accounting estimate for unearned premium reserves which was previously derived by applying the appropriate percentage on all premiums written in the year. This has now been derived by excluding non-proportional premiums. Deferred Acquisition Costs (DAC) and Deferred Retrocession Revenue Commissions (DRR) hitherto not recognised have also been included in the financial statements.

Notes To The Financial Statements (Continued)

8 EARNINGS PER SHARE

	2010	2009
Profit attributable to shareholders (US$)	5,247,262	6,427,440
	========	========
Number of shares issued (Note 22)	30,514,101	30,011,275
	========	========
Earnings per share (US$) - basic and diluted	0.172	0.214
	=======	=======

Earnings per ordinary shares are calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares issued.

There were no potentially dilutive shares outstanding at 31 December 2010 (2009: Nil). The diluted earnings per share is therefore the same as the basic earnings per share.

9 EMPLOYEE EMOLUMENTS AND BENEFITS

	2010 US$	2009 US$
Staff costs include the following:		
- Salaries and wages	2,129,582	1,632,864
- Staff retirement benefits	492,089	295,985
- Other staff benefits	358,044	290,072
	2,979,715	2,218,921
	========	========

The number of persons employed by the Company at the year end was: 41 (2009: 38).

10 PROPERTY AND EQUIPMENT

	31.12.2010 US$	31.12.2009 US$	01.01.2009 US$
Cost or valuation	1,979,169	2,005,735	1,879,116
Accumulated depreciation	(628,946)	(536,537)	(512,710)
Net book value	1,350,223	1,469,198	1,366,406
	========	========	========
Comprising:			
Buildings	1,011,985	1,071,011	692,561
Motor vehicles	62,764	108,224	169,603
Office furniture and fittings	148,642	204,502	211,625
Office equipment	58,168	67,634	26,302
Computer equipment	68,664	17,827	27,770
Property under construction	-	-	238,545
Net book value	1,350,223	1,469,198	1,366,406
	========	========	========

Notes To The Financial Statements (Continued)

10 PROPERTY AND EQUIPMENT (Continued)

	Buildings	Motor vehicles	Office furniture and fittings	Office equipment	Computer equipment	Property under construction	Total
	US$	US$	US$	US$	US$	US$	US$
COST OR VALUATION							
At 1 January 2009	745,524	262,098	390,891	97,568	144,490	238,545	1,879,116
Additions	-	-	47,701	59,138	9,232	125,840	241,911
Disposals	-	-	-	(48,368)	(28,026)	-	(76,394)
Revaluation surplus	128,719	-	-	-	-	-	128,719
Reclassified to investment properties (Note 12)	-	-	-	-	-	(167,617)	(167,617)
Transfers	196,768	-	-	-	-	(196,768)	-
At 31 December 2009	**1,071,011**	**262,098**	**438,592**	**108,338**	**125,696**	**-**	**2,005,735**
At 1 January 2010	1,071,011	262,098	438,592	108,338	125,696	-	2,005,735
Additions	21,926	21,221	4,509	2,628	98,363	-	148,647
Disposals	-	(52,716)	(15,657)	(5,844)	(20,044)	-	(94,261)
Revaluation Loss	(80,952)	-	-	-	-	-	(80,952)
At 31 December 2010	**1,011,985**	**230,603**	**427,444**	**105,122**	**204,015**	**-**	**1,979,169**

An independent valuation of the Company's buildings was carried out by Messrs. GIMCO Limited, a registered valuer, to determine the fair value of buildings. The valuation, done annually, was carried out as at 31 December 2010 on open market value basis.

Notes To The Financial Statements (Continued)

10 PROPERTY AND EQUIPMENT (Continued)

	Buildings	Motor vehicles	Office furniture and fittings	Office equipment	Computer equipment	Property under construction	Total
	US$	US$	US$	US$	US$	US$	US$
ACCUMULATED DEPRECIATION							
At 1 January 2009	52,963	92,495	179,266	71,266	116,720	-	512,710
Charge for the year	20,570	61,379	54,824	10,614	19,175	-	166,562
Eliminated on disposals	-	-	-	(41,176)	(28,026)	-	(69,202)
Eliminated on revaluation	(73,533)	-	-	-	-	-	(73,533)
At 31 December 2009	-	153,874	234,090	40,704	107,869	-	536,537
At 1 January 2010	-	153,874	234,090	40,704	107,869	-	536,537
Charge for the year	21,858	57,651	53,431	10,979	47,527	-	191,446
Eliminated on disposals	-	(43,686)	(8,719)	(4,729)	(20,045)	-	(77,179)
Written back on revaluation	(21,858)	-	-	-	-	-	(21,858)
At 31 December 2010	-	167,839	278,802	46,954	135,351	-	628,946
NET BOOK VALUE							
At 31 December 2010	1,011,985	62,764	148,642	58,168	68,664	-	1,350,223
At 31 December 2009	1,071,011	108,224	204,502	67,634	17,827	-	1,469,198
At 1 January 2009	692,561	169,603	211,625	26,302	27,770	238,545	1,366,406
NET BOOK VALUE – COST BASIS							
At 31 December 2010	883,291	62,764	148,642	58,168	68,664	-	1,221,529
At 31 December 2009	861,804	108,224	204,502	67,634	17,827	-	1,259,991
At 1 January 2009	683,701	169,603	211,625	26,302	27,770	238,545	1,081,888

Notes To The Financial Statements (Continued)

10 PROPERTY AND EQUIPMENT (Continued)

No depreciation has been charged in arriving at the results for the year in respect of certain fully depreciated property and equipment with a cost of US$ 319,089 (2009: US$343,190) which are still in use. If depreciation had been charged during the year on the cost of these assets, it would have amounted to US$ 102,750 (2009: US$ 109,017). Had the Company's buildings been measured on a historical cost basis, their carrying amount would have been US$ 883,291(2009: US$ 861,804).

11 INTANGIBLE ASSETS – COMPUTER SOFTWARE

	31.12.2010 US$	31.12.2009 US$	01.01.2009 US$
Cost	730,284	730,284	730,284
Accumulated amortisation	(730,284)	(631,392)	(530,961)
Net book value	-	98,892	199,323

Movement analysis:

	Software licences US$	Other software US$	Total US$
COST			
At 1 January 2009, At 31 December 2009 At 1 January 2010 and 31 December 2010	550,001	180,283	730,284
ACCUMULATED AMORTISATION			
At 1 January 2009	356,771	174,190	530,961
Charge for the year	96,615	3,816	100,431
At 31 December 2009	453,386	178,006	631,392
Charge for the year	96,615	2,277	98,892
At 31 December 2010	550,001	180,283	730,284
NET BOOK VALUE			
At 31 December 2010	-	-	-
At 31 December 2009	96,615	2,277	98,892
At 1 January 2009	193,230	6,093	199,323

All software is amortised over a period of five years.

Notes To The Financial Statements (Continued)

12 INVESTMENT PROPERTIES

	31.12.2010 US$	31.12.2009 US$	01.01.2009 US$
Fair value of investment properties	11,981,943	12,037,026	9,856,053
	=========	=========	=========

At fair value:	Zep-Re Place US$	Prosperity House US$	Upperhill Parking US$	Zambia land US$	Mombasa Road US$	Total US$
At 1 January 2009	5,301,291	3,901,170	572,906	-	80,686	9,856,053
Additions	-	-	-	1,256,591	-	1,256,591
Transfers from property and equipment (Note 10)	167,617	-	-	-	-	167,617
Gain/(loss) on revaluation	(153,902)	197,759	139,005	(8,090)	445,554	620,326
Exchange difference on revaluation	73,388	54,004	7,931	-	1,116	136,439
At 31 December 2009	5,388,394	4,152,933	719,842	1,248,501	527,356	12,037,026
	========	=======	=======	=======	=======	========
At 1 January 2010	5,388,394	4,152,933	719,842	1,248,501	527,356	12,037,026
Gain on revaluation	297,684	185,874	33,457	51,499	24,784	593,298
Exchange difference on revaluation	(323,838)	(249,588)	(43,262)	-	(31,693)	(648,381)
At 31 December 2010	5,362,240	4,089,219	710,037	1,300,000	520,447	11,981,943
	========	=======	=======	=======	=======	========

Investment properties were valued by Gimco Limited for Nairobi Kenya properties and by Knight Frank Zambia Limited for Lusaka, Zambia property, registered valuers, as at 31 December 2010, on an open market basis. The fair value gain arising from the revaluation has been dealt with in profit and loss.

All the Company's investment properties are held under leasehold interests.

Notes To The Financial Statements (Continued)

13 AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	31.12.2010 US$	31.12.2009 US$	01.01.2009 US$
Quoted equity shares			
– at fair value (Note (i) below)	3,831,278	1,631,186	1,519,650
Unquoted equity shares – at cost (Note (ii) below)	718,750	718,750	718,750
	4,550,028	2,349,936	2,238,400

(i) Quoted equity shares: At fair value

	2010 US$	2009 US$
At 1 January	1,631,186	1,519,650
Additions	1,736,131	164,560
Fair value gains/(losses)	551,027	(82,275)
Exchange difference on revaluation	(87,066)	29,251
At 31 December	3,831,278	1,631,186

(ii) Unquoted equity shares: At Cost

	Tanzania Reinsurance Corporation US$	AIO Software Development US$	African Trade Insurance Agency US$	Total US$
Cost:				
At 1 January 2009, 1 January 2010 and At 31 December 2010	718,750	30,000	100,000	848,750
Impairment loss:				
At 1 January 2009, 1 January 2010 and At 31 December 2010	-	(30,000)	(100,000)	(130,000)
Net book value:				
At 31 December 2010	718,750	-	-	718,750
At 31 December 2009	718,750	-	-	718,750

14 RECEIVABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

	31.12.2010 US$	31.12.2009 US$	01.01.2009 US$
Receivables from reinsurance arrangements	10,516,507	9,108,924	7,592,137
Allowance for doubtful arrangements	(2,446,048)	(3,352,607)	(1,530,214)
Net carrying value	8,070,459	5,756,317	6,061,923

Notes To The Financial Statements (Continued)

14 RECEIVABLES ARISING OUT OF REINSURANCE ARRANGEMENTS (CONTINUED)

Receivables from reinsurance arrangements are stated net of receivables which, in the directors' opinion, cannot be recovered or receivables whose recovery is uncertain at year end.

(i) Ageing of unimpaired receivables	2010	2009
	US$	US$
0 - 90 days	2,803,528	1,738,210
91-120 days	1,425,866	447,530
121-270 days	2,523,936	1,545,839
271 – 360 days	1,317,129	2,024,738
At 31 December	8,070,459	5,756,317
Average age (days) – gross premium basis	42	38

(ii) Movement in the allowance for doubtful debts	2010	2009
	US$	US$
At 1 January	3,352,607	1,530,214
Charge for the year		
- Arising from reinsurance arrangements	552,344	714,336
Written off during the year as uncollectible	(1,458,903)	-
Reclassified from receivables and payables write-back provision	-	1,108,057
At 31 December	2,446,048	3,352,607

(iii) Impairment charge for doubtful debts (Note 6)	2010	2009
	US$	US$
Arising from reinsurance arrangements	552,344	714,336
Arising from retrocession arrangements	46,562	43,601
Deposits retained by ceding companies	(138,063)	138,063
At 31 December	460,843	896,000

15 DEPOSITS RETAINED BY CEDING COMPANIES

This amount represents insurance premiums retained by ceding companies. The movement in the account is shown below:

	31.12.2010	31.12.2009	01.01.2009
	US$	US$	US$
At 1 January	1,743,500	1,767,078	1,359,445
Increase/(decrease) during the year	323,165	(23,578)	407,633
At 31 December	2,066,665	1,743,500	1,767,078

Notes To The Financial Statements (Continued)

16 RETROCESSIONAIRES SHARE OF REINSURANCE LIABILITIES

	31.12.2010 US$	31.12.2009 US$	01.01.2009 US$
Retrocessionaires share of :			
Unearned premiums (Note 27)	4,788,285	3,817,685	2,870,939
Notified Outstanding claims (Note 26)	3,294,857	2,080,011	3,286,000
Incurred but not reported (Note 26)	1,600,455	1,322,003	825,000
	9,683,597	7,219,699	6,981,939

17 OTHER RECEIVABLES

	31.12.2010 US$	31.12.2009 US$	01.01.2009 US$
Receivables from Retakaful window	393,952	-	-
Staff receivables	339,989	173,033	194,159
Prepayments	120,335	91,783	64,454
Deposits	37,362	29,321	24,249
Rent receivable	16,252	18,194	9,603
Others	465,965	66,826	84,033
	1,373,855	379,157	376,498

18 DEFERRED ACQUISITION COSTS (DAC)

This amount represents insurance commissions, brokerage and other related expenses incurred that relate to un-expired polices at year end. The movement in the account is shown below:

	31.12.2010 US$	31.12.2009 US$	01.01.2009 US$
At 1 January	5,530,299	3,802,185	2,825,329
Increase during the year	555,020	1,728,114	976,856
At 31 December	6,085,319	5,530,299	3,802,185

Notes To The Financial Statements (Continued)

19 GOVERNMENT SECURITIES - HELD TO MATURITY

	31.12.2010	31.12.2009	01.01.2009
	US$	US$	US$
Treasury bills and bonds maturing:			
- Within 6 months - Treasury bills	43,717	1,937,594	2,934,218
- Within 6 months - Treasury bonds	680,452	-	-
- In 6 months to 1 year	4,788,740	5,528,538	4,351,454
- In 1 to 5 years	273,355	838,655	1,194,184
- After 5 years	1,370,010	1,457,565	-
	7,156,274	9,762,352	8,479,856
Analysis of Government securities by currency:			
Securities in Kenya Shillings	2,158,500	4,313,379	3,844,562
Securities in Sudanese Pounds	4,954,057	5,448,973	4,635,294
Securities in Zambian Kwacha	43,717	-	-
	7,156,274	9,762,352	8,479,856

20 DEPOSITS WITH FINANCIAL INSTITUTIONS

	31.12.2010	31.12.2009	01.01.2009
Analysis of deposits with financial institutions by currency	US$	US$	US$
Deposits in United States Dollars	32,188,957	20,801,701	16,128,293
Deposits in Sterling Pounds	1,080,597	7,680,535	10,491,907
Deposits in Kenya Shillings	13,600,104	10,944,265	6,716,315
Deposits in Sudanese Pound	1,878,721	727,080	501,850
Deposits in Zambian Kwacha	173,593	71,603	265,237
Deposits in Rwandese Francs	915,683	-	-
	49,837,655	40,225,184	34,103,602

Deposits with financial institutions have an average maturity of 3 to 9 months (2009: 3 to 9 months).

21 CASH AND BANK BALANCES

	31.12.2010	31.12.2009	01.01.2009
	US$	US$	US$
Analysis of cash and bank balances by currency			
United States Dollars	514,511	307,085	79,419
Sterling Pounds	23,115	21,975	1,239
Kenya Shillings	108,848	137,290	34,785
Sudanese Pound	53,205	10,749	25,375
Zambian Kwacha	127,626	52,842	1,074
Cameroon CFA	115,682	27,047	30,858
Others	11,365	-	-
	954,352	556,988	172,750

Notes To The Financial Statements (Continued)

22 WEIGHTED AVERAGE EFFECTIVE INTEREST / RETURN RATES

The following table summarises the weighted average effective interest / return rates realised during the year on the principal interest / return-bearing investments:

	2010	2009
	%	%
Government securities		
Securities in Kenya Shillings	12.72	7.65
Securities in Sudanese Pound	14.00	12.03
Deposits with financial institutions		
Deposits in United States Dollars	2.46	1.89
Deposits in Sterling Pounds	1.44	3.18
Deposits in Kenya Shillings	5.33	7.97
Deposits in Sudanese Pound	9.00	5.17
Deposits in Zambian Kwacha	3.13	11.63
	=======	=======

23 ISSUED CAPITAL

(i) Issued Capital	31.12.2010	31.12.2009	01.01.2009
	US$	US$	US$
Share capital	30,514,101	30,011,275	29,998,013
Share premium	895,756	337,619	322,899
Paid-up capital	31,409,857	30,348,894	30,320,912
	=========	=========	=========

(ii) Paid-up shares	No of shares	Share capital	Share premium
		US$	US$
At 1 January 2009	29,998,013	29,998,013	322,899
Dividends capitalised	13,262	13,262	14,720
At 31 December 2009	30,011,275	30,011,275	337,619
Dividends capitalised	8,449	8,449	9,378
Issue of shares	494,377	494,377	548,759
At 31 December 2010	30,514,101	30,514,101	895,756
	=========	=========	=========

24 RESERVES

	31.12.2010	31.12.2009	01.01.2009
	US$	US$	US$
Property revaluation reserve	152,200	211,294	9,042
Available-for-sale investments revaluation reserve	(360,471)	(824,432)	(771,408)
	(208,271)	(613,138)	(762,366)
	========	=========	=========

Notes To The Financial Statements (Continued)

24 RESERVES (Continued)

(i) Property revaluation reserve

	Buildings US$
At 1 January 2009	9,042
Revaluation surplus (Note 10)	128,719
Depreciation written back on revaluation (Note 10)	73,533
Gain on revaluation of property	202,252
At 31 December 2009	211,294
At 1 January 2010	211,294
Revaluation surplus (Note 10)	(80,952)
Depreciation written back on revaluation (Note 10)	21,858
Loss on revaluation of property	(59,094)
At 31 December 2010	152,200

The property revaluation reserve arises on the revaluation of buildings that are classified as part of property and equipment – own use. When the revalued buildings are sold, the portion of the properties' revaluation reserve that relates to that asset, and that is effectively realised, is transferred directly to retained earnings.

Generally, this reserve is not available for distribution.

(ii) Available for sale fair value reserve

	Quoted shares US$
At 1 January 2009	(771,408)
Revaluation loss (Note 13)	(82,275)
Exchange difference on revaluation (Note 13)	29,251
At 31 December 2009	(824,432)
At 1 January 2010	(824,432)
Revaluation gain (Note 13)	551,027
Exchange difference on revaluation (Note 13)	(87,066)
At 31 December 2010	(360,471)

The available-for-sale fair value reserve represents accumulated gains and losses arising on the revaluation of available-for-sale financial assets that have been recognised in the other comprehensive income net of amounts reclassified to profit or loss for the year when those assets have been disposed of or are determined to be impaired.

This reserve is not available for distribution.

Notes To The Financial Statements (Continued)

25 RETAINED EARNINGS

	31.12.2010	31.12.2009	01.01.2009
	US$	US$	US$
Retained earnings	18,785,686	14,738,424	8,790,984
	=========	=========	=========

	2010	2009
	US$	US$
At 1 January - as previously reported	7,137,774	1,922,496
Prior year adjustment	7,600,650	6,868,488
At 1 January - restated	14,738,424	8,790,984
Dividend payment	(1,200,000)	(480,000)
Profit for year	5,247,262	6,427,440
At 31 December	18,785,686	14,738,424
	=========	=========

In 2010 a dividend of US$ 0.040 per share amounting to US$ 1,200,000 was paid to holders of fully paid ordinary shares. In 2009 the dividend of US$ 480,000 was paid out.

Retained earnings include fair value gains on revaluation of investment properties which are unrealised and are not available for distribution. At 31 December 2010 the unrealised fair value gains on revaluation of investment properties amounted to US$ 1,198,619 (2009: US$ 1,253,702).

The prior year adjustment is in respect of a change in accounting policy for Unearned Premium Reserves (UPR) which was previously derived by applying the appropriate percentage on all premiums written in the year. This has now been derived by excluding non-proportional treaty premiums. Deferred Acquisition Costs (DAC) and Deferred Retrocession Commission Revenue (DRR) previously not recognised has now been included in the financial statements.

26 REINSURANCE CONTRACT LIABILITIES

	31.12.2010	31.12.2009	01.01.2009
	US$	US$	US$
Reinsurance contracts			
- claims reported and claims handling expenses	19,267,844	14,489,994	14,610,000
- claims incurred but not reported	7,936,261	5,538,133	3,996,000
Total net reinsurance liabilities	27,204,105	20,028,127	18,606,000
	=========	=========	=========

Gross claims reported and the retrocessionaires share of claims handling expenses, liabilities and the liability for claims incurred but not reported are as shown below.

	2010			2009		
	Gross	Retrocessions	Net	Gross	Retrocessions	Net
	US$	US$	US$	US$	US$	US$
Outstanding claims	19,267,844	(3,294,857)	15,972,987	14,489,994	(2,080,011)	12,409,983
IBNR	7,936,261	(1,600,455)	6,335,806	5,538,133	(1,322,003)	4,216,130
Total outstanding claims	27,204,105	(4,895,312)	22,308,793	20,028,127	(3,402,014)	16,626,113
	========	========	========	=========	=========	========

Notes To The Financial Statements (Continued)

26 REINSURANCE CONTRACT LIABILITIES (Continued)

Claims incurred comprise claims paid in the year and changes in provision for outstanding claims. Claims paid represent all claims payments made during the year, whether arising from events during that or earlier years. Outstanding claims represent an estimate of the ultimate net cost of settling all claims arising from incidents occurring prior to the end of each reporting period but not settled at that date.

Provisions for outstanding claims are computed on the basis of the best information available at the time the records for the year are closed, and include provision for claims incurred but not reported (IBNR). The development of reinsurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims.

27 UNEARNED PREMIUMS RESERVE (UPR)

The reserve represents the liability for reinsurance business contracts where the Company's obligations are not expired at the year end. The movement in the reserve is as shown below:

	2010			2009		
	Gross	Retrocessions	Net	Gross	Retrocessions	Net
	US$	US$	US$	US$	US$	US$
At 1 January - as previously reported	20,888,015	(4,592,918)	16,295,097	16,462,653	(3,637,663)	12,824,990
Effect of change in accounting for UPR	(4,543,135)	775,233	(3,767,902)	(5,116,727)	766,724	(4,350,003)
At 1 January - As restated	16,344,880	(3,817,685)	12,527,195	11,345,926	(2,870,939)	8,474,987
Increase in the year	1,748,025	(970,600)	777,425	4,998,954	(946,746)	4,052,208
At 31 December	18,092,905	(4,788,285)	13,304,620	16,344,880	(3,817,685)	12,527,195

28 DEFERRED INCOME

Deferred income represents the value of leasehold land at initial recognition. This land was granted to the Company by the Kenya Government. The amount is amortized to income over the lease term. The movement on the deferred income account during the year is as follows:

	31.12.2010	31.12.2009	01.01.2009
	US$	US$	US$
Arising from Government grant	80,686	80,686	80,686
Accumulated amortisation	(13,856)	(13,041)	(12,226)
At 31 December	66,830	67,645	68,460

Notes To The Financial Statements (Continued)

29 PAYABLES ARISING FROM RETROCESSION ARRANGEMENTS

This amount represents the liability for short term retrocession contracts. The movement in the account is shown below:

	31.12.2010	31.12.2009	01.01.2009
	US$	US$	US$
At 1 January	3,334,757	4,815,712	5,556,836
Increase/(decrease) during the year	698,891	(1,480,955)	(1,896,983)
Receivables and payables write - back	-	-	1,155,859
At 31 December	4,033,648	3,334,757	4,815,712

30 DEFERRED RETROCESSION COMMISSION REVENUE

This amount represents retrocession insurance commissions, brokerage and other related revenue received that relate to un-expired polices at year end. The movement in the account is shown below:

	31.12.2010	31.12.2009	01.01.2009
	US$	US$	US$
At 1 January	1,697,551	1,283,700	1,166,052
Increase during the year	423,104	413,851	117,648
At 31 December	2,120,655	1,697,551	1,283,700

31 OTHER PAYABLES

Rent deposits	221,912	208,130	204,833
Other liabilities	144,656	229,388	222,078
Leave pay provision	179,174	117,297	107,943
Provision for gratuity	745,997	308,369	108,134
Advance rent	-	-	154
	1,291,739	863,184	643,142

32 DIVIDENDS PAYABLE

	31.12.2010	31.12.2009	01.01.2009
The movement in dividends payable is as follows:	US$	US$	US$
At 1 January	1,833	1,833	22,078
Final dividend declared	1,200,000	480,000	500,000
Dividend paid	(1,182,173)	(452,018)	(513,058)
Dividend capitalised	(17,827)	(27,982)	(7,187)
At 31 December	1,833	1,833	1,833

In respect of the current year, the directors propose that a dividend of US$ 1,311,000 be paid to shareholders. This dividend is subject to approval of shareholders at the Annual General Meeting to be held on 27th May 2011 and has therefore not been recognised as a liability in these financial statements.

Notes To The Financial Statements (Continued)

33 CAPITAL COMMITMENTS

Capital expenditure authorised but not contracted for at the end of the reporting period and which is not recognised in the financial statements is as follows:

	2010	2009
	US$	US$
Property and equipment	202,200	1,187,000
Investment properties	5,000,000	500,000
	=======	========

34 RELATED PARTIES

The Company is owned by Governments, private and public institutions of COMESA member states. Some of these are Insurance and Reinsurance companies.

A portion of the Company's underwriting business is transacted with ceding companies that are shareholders of the Company. The transactions carried out with related parties during the year and the balances due from or due to related parties at year end are disclosed below:

(i) Transactions with related parties	2010	2009
	US$	US$
Gross earned premium		
- Shareholders	8,217,352	8,546,223
	========	========
Claims Paid		
- Shareholders	2,536,078	4,415,240
	========	========
Deposits with financial institutions		
- PTA Bank	10,997,636	15,703,487
	========	========

(ii) Directors' remuneration		
- Directors' fees	88,750	59,300
- Other emoluments paid (per diem)	59,150	51,400
	147,900	110,700
	========	=========

(iii) Key management remuneration		
- Salaries and other short-term employment benefits	810,668	491,371
- Gratuity	179,454	103,809
	990,122	595,180
	========	========

(iv) Outstanding balances with related parties		
- Premiums receivable from related parties	1,172,371	1,341,200
- Staff car and other loans	339,989	173,033
	========	=========

Notes To The Financial Statements (Continued)

35 CASH AND CASH EQUIVALENTS

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

	2010	2009
	US$	US$
Cash and bank balances	954,352	556,988
Deposits with financial institutions	49,837,655	40,225,184
Treasury bills - maturing within 6 months (Note 19)	43,717	1,937,594
	50,835,724	42,719,766
	=========	==========

36 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Key sources of estimation uncertainty

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

The ultimate liability arising from claims payable under reinsurance contracts

The main assumption underlying techniques applied in the estimation of this liability is that a company's past claims experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by event years. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures) 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. A margin for adverse deviation may also be included in the liability valuation.

Impairment losses

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

Useful lives of property and equipment

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

Notes To The Financial Statements (Continued)

36 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Held-to-maturity investments

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

Available-for-sale investments

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

37 RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks, including reinsurance risk, credit risk, and the effects of changes in assets values, debt and equity market prices, foreign currency exchange rates and interest rates. The Company's overall risk management programme 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, retrocession planning, credit policy governing the acceptance of clients, and defined criteria for the approval of intermediaries and retrocessionaires. Investment policies are in place which help manage liquidity, and seek to maximise return within an acceptable level of interest rate and credit risk.

(i) Reinsurance risk

ZEP- RE writes all classes of business, namely Property, Casualty, Motor, Marine, Aviation and Life.

The Company has in place a detailed underwriting manual covering risk acceptance procedures, accumulation control and how to arrange for reinsurance protection. It guides the underwriters in their day to day transaction of business, while emphasising prudence and professionalism. The driving force is to have a diversified portfolio of business with a sufficiently large population of risks, in order to reduce reliance on one area or class.

The principal risk in the business is the possibility that the insured event will occur with the likelihood that the actual claims will exceed the amount of reinsurance premiums and reserves available.

The possibility of such occurrences cannot be eliminated. The only option is to minimise the financial consequences of each occurrence as far as possible. The Company has endeavored to achieve this by putting in place reinsurance programmes that provide protection for individual risks and catastrophic events. The Company has subsequently entered into retrocession arrangements with reputable retrocessionaires. The objective is to make sure that the Company is adequately protected against all the liabilities assumed from its business transactions.

The retrocession arrangements however do not discharge the Company of its obligations to the ceding companies and consequently the Company has put in place a business review structure that ensures control of risk quality and conservative use of treaty limits, terms and conditions.

Notes To The Financial Statements (Continued)

37 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(i) Reinsurance risk (Continued)

Finally as part of its annual renewals, the financial condition of each retrocessionaire is reviewed and as a result, the programme is placed with a select group of financially secure and experienced companies in the world market.

At 31 December 2010

		Maximum insured loss (US$)			
Class of business		**0 - 0.25m**	**0.25m - 1m**	**Over 1m**	**Total**
Property	Gross	55,107,872	169,656,775	593,971,465	818,736,112
	Net	52,788,308	137,049,062	324,846,842	514,684,212
Casualty	Gross	40,566,549	57,893,944	103,028,674	201,489,167
	Net	38,557,899	43,721,444	28,470,585	110,749,928
Motor	Gross	13,371,577	8,946,772	-	22,318,349
	Net	11,484,960	4,155,621	-	15,640,581
Marine & Aviation	Gross	30,467,588	21,891,680	14,015,247	66,374,515
	Net	29,827,874	18,515,220	4,759,556	53,102,650
Life assurance business	Gross	2,235,758	285,714	-	2,521,472
	Net	2,218,615	157,143	-	2,375,758
Total	**Gross**	**141,749,344**	**258,674,885**	**711,015,386**	**1,111,439,615**
	Net	**134,877,656**	**203,598,490**	**358,076,983**	**696,553,130**

At 31 December 2009

		Maximum insured loss (US$)			
Class of business		**0 - 0.25m**	**0.25m - 1m**	**Over 1m**	**Total**
Property	Gross	55,028,588	170,088,382	658,289,127	883,406,097
	Net	53,102,475	139,008,527	413,509,536	605,620,538
Casualty	Gross	34,783,855	46,794,980	49,698,239	131,277,074
	Net	33,480,330	35,095,273	27,302,381	95,877,984
Motor	Gross	11,466,326	8,561,764	-	20,028,090
	Net	10,386,537	4,321,457	-	14,707,994
Marine & Aviation	Gross	29,376,145	23,445,591	30,211,940	83,033,676
	Net	28,992,188	20,277,695	11,598,350	60,868,233
Life assurance business	Gross	352,132	-	-	352,132
	Net	352,132	-	-	352,132
Total	**Gross**	**131,007,046**	**248,890,717**	**738,199,306**	**1,118,097,069**
	Net	**126,313,662**	**198,702,952**	**452,410,267**	**777,426,881**

The Company's retention (net liabilities) shown for the above classes is protected by retrocession treaties as follows:

	2010	**2009**
Class	**Limit (US$)**	**Limit (US$)**
Fire/Engineering risk	5,000,000 in excess of 1,000,000	5,000,000 in excess of 1,000,000
Catastrophe	13,100,000 in excess of 1,000,000	13,100,000 in excess of 1,000,000
Accident and Motor	1,000,000 in excess of 500,000	1,375,000 in excess of 125,000
Marine XL	2,200,000 in excess of 300,000	2,250,000 in excess of 250,000

The concentration by sector or maximum underwriting limits at the end of the year is broadly consistent with the prior year.

Notes To The Financial Statements (Continued)

37 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(ii) Financial risk

The Company is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and reinsurance liabilities. In particular the key financial risk is that the proceeds from its financial assets might not be sufficient to fund the obligations arising from its reinsurance business. The most important components of this financial risk are interest rate risk, equity price risk, currency risk and credit risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and liabilities are interest rate risk, currency risk and equity price risk.

The Company manages these risks within an asset liability management (ALM) framework that has been developed to achieve long-term investment returns in excess of its obligations in reinsurance business.

The notes below explain how financial risks are managed using the categories utilised in the Company's ALM framework.

(a) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company.

The key areas that the Company is exposed to credit risk are:

- Receivables arising out of reinsurance arrangements both inward and outward;
- Retrocessionaires' share of outstanding claims;
- Deposits and cash balances held with banks and other financial institutions;
- Investments in Government securities

The Company manages its exposure in the following ways:

- places its retrocession programme with rated securities – investment grade and above;
- dealing with only credit-worthy counterparties;
- placing limits on the Company's exposure to a single counterparty or group of counterparties while placing investments.

In respect of its exposure from receivables arising out of reinsurance arrangements the Company manages this through regular analysis of the ability of the existing and potential clients to meet premium obligations and by reviewing signed shares where appropriate, having close relations with cedants and intermediaries to enhance timely settlement of premiums, offsetting of outstanding premiums against claims and avoiding renewal of treaties with cedants who have poor underwriting and credit history.

Impairment charges are recognised for debts considered doubtful at the end of reporting period.

Notes To The Financial Statements (Continued)

37 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(ii) Financial risk (Continued)

(a) Credit risk (Continued)

Maximum exposure to credit risk before collateral held

	2010	2009
	US$	US$
Other receivables (excluding prepayments) (note 16)	1,259,537	287,374
Receivables arising out of reinsurance arrangements	8,070,459	5,756,317
Government securities held to maturity (note 17)	7,156,274	9,762,352
Deposits with financial institutions	49,837,655	40,225,184
Bank balances (note 19)	954,352	556,988
	67,278,277	56,588,215

No collateral is held for any of the above assets. All receivables that are neither past due or impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

None of the above assets are past due or impaired except receivables arising out of reinsurance arrangements (which are due within 60 days after close of each quarter).

Receivables arising out of reinsurance arrangements are summarized as follows:

	2010	2009
	US$	US$
Neither past due nor impaired:		
- up to 90 days	2,803,528	1,738,210
- up to 91 to 120 days	1,425,866	447,530
- up to 121 to 270 days	2,523,936	1,545,839
- up to 270 to 360 days	1,605,719	1,193,917
Past due but not impaired - over 360 days	(288,590)	830,821
Impaired	2,446,048	3,352,607
	10,516,507	9,108,924
Less provision for impairment	(2,446,048)	(3,352,607)
Total	8,070,459	5,756,317

All receivables past due by more than 365 days are considered to be impaired, and are carried at their estimated recoverable value.

Notes To The Financial Statements (Continued)

37 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(ii) Financial risk (Continued)

(b) Market risks

Interest rate risk

Exposure to interest sensitive assets is managed by use of a yield curve in order to ensure that the Company does not hold low yielding investments in a high interest environment.

The Company has an investment committee which sets investment guidelines that seek to reduce exposure to interest rate risks.

The Company's management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to a parallel movement of plus 100 basis points in all yield curves of financial assets and financial liabilities. These particular exposures illustrate the Company's overall exposure to interest rate sensitivities included in the Company's ALM framework and its impact on the Company's profit or loss by business.

Note 20 discloses the weighted average interest rate on principal interest bearing investments.

Currency risk

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

The Company mitigates its currency risk by ensuring that the net exposure to this risk is maintained within acceptable levels by regular review of the level of mismatch for key currencies.

At 31 December 2010, if the US dollar had weakened/strengthened by 10% against the Kenya shilling with all other variables held constant, the net assets for the year would have been US$ 1,800,592 higher/lower (2009: US$ 683,737 lower/higher) mainly as a result of Kenya shilling denominated investments, receivables, payables and bank balances. This is significant as the portion of Kenya shilling denominated net assets constitute 32.42% (2009: 16.69%) of the Company's net assets.

At 31 December 2010, if the US dollar had weakened/strengthened by 10% against the sterling pound with all other variables held constant, the net assets for the year would have been US$ 109,403 (2009: US$ 842,417) higher/lower mainly as a result of sterling pound denominated deposits, receivables and payables. This is not significant as the portion of sterling pound denominated net assets constitute 1.97% (2009: 20.56%).

At 31 December 2010, if the US dollar had weakened/strengthened by 10% against the Sudanese Pound (SDG) with all other variables held constant, the net assets would have been US$ 663,856 (2009: US$ 513,115) higher/lower, mainly as a result of Sudanese Pound denominated investments, receivables and payables. This is also significant as the portion of Sudanese Pound denominated net assets constitute 11.95% (2009: 12.52%).

The Company had the following significant foreign currency positions at 31 December (all amounts expressed in US Dollars).

Notes To The Financial Statements (Continued)

37 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b)Market risks (Continued)

Currency risk (Continued)

At 31 December 2010	US$	GBP	KES	SDG	UGX	TZS	RWF	ETB	ZMK	Others	Total
Assets (US$)											
Investment properties	1,300,000	-	10,681,943	-	-	-	-	-	-	-	11,981,943
Available-for-sale equity investments	718,750	-	3,831,278	-	-	-	-	-	-	-	4,550,028
Receivables arising out of reinsurance arrangements	1,395,397	(105,410)	2,167,904	878,303	529,989	81,401	486,583	1,004,659	(21,061)	1,652,694	8,070,459
Retrocessionaires share of technical liabilities	9,683,597	-	-	-	-	-	-	-	-	-	9,683,597
Deposits retained by ceding companies	166,803	-	612,817	-	-	14,308	64,168	-	1,931	1,206,638	2,066,665
Deferred acquisition costs	6,085,319	-	-	-	-	-	-	-	-	-	6,085,319
Government securities held to maturity	-	-	2,158,500	4,954,057	-	-	-	-	43,717	-	7,156,274
Deposits with financial institutions	32,188,957	1,080,597	13,600,104	1,878,721	-	-	915,683	-	173,593	-	49,837,655
Cash and bank balances	514,512	23,115	108,848	53,205	909	429	5,233	-	127,626	120,475	954,352
Total	52,053,335	998,302	33,161,394	7,764,286	530,898	96,138	1,471,667	1,004,659	325,806	2,979,807	100,386,292
Liabilities (US$)											
Reinsurance contract liabilities	6,024,698	7,681	10,146,962	578,976	1,243,302	1,282,183	635,051	1,601,818	328,860	5,354,575	27,204,106
Payables arising from retrocession arrangements	4,033,648	-	-	-	-	-	-	-	-	-	4,033,648
Deposits retained on ceded reinsurance business	311,383	-	-	-	-	-	-	-	-	-	311,383
Unearned premium reserves	2,479,368	5,995	6,809,106	1,210,603	1,434,801	915,318	579,581	1,142,007	331,415	3,184,711	18,092,905
Deferred Retrocession Revenue	2,120,655	-	-	-	-	-	-	-	-	-	2,120,655
Total	14,969,752	13,676	16,956,068	1,789,579	2,678,103	2,197,501	1,214,632	2,743,825	660,275	8,539,286	51,762,698
Net Exposure	37,083,583	984,626	16,205,326	5,974,707	(2,147,205)	(2,101,363)	257,035	(1,739,166)	(334,469)	(5,559,479)	48,623,594
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Notes To The Financial Statements (Continued)

37 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b)Market risks (Continued)

Currency risk (Continued)

At 31 December 2009	US$	GBP	KES	SDG	UGX	TZS	RWF	ETB	ZMK	Others	Total
Assets (US$)											
Investment properties	1,248,500	-	10,788,526	-	-	-	-	-	-	-	12,037,026
Available-for-sale equity investments	718,750	-	1,631,186	-	-	-	-	-	-	-	2,349,936
Receivables arising out of reinsurance arrangements	462,885	(104,973)	1,149,993	1,003,296	734,371	(150,699)	278,465	651,103	(404,888)	2,136,764	5,756,317
Retrocessionaires share of technical liabilities	7,219,699										7,219,699
Deposits retained by ceding companies	110,667	-	674,866	-	-	23,902	63,196	39,555	251	831,063	1,743,500
Deferred acquisition costs	5,530,298	-	-	-	-	-	-	-	-	-	5,530,298
Government securities held to maturity	-	-	4,313,379	5,448,973	-	-	-	-	-	-	9,762,352
Deposits with financial institutions	20,801,701	7,680,535	10,944,265	727,080	-	-	-	-	71,603	-	40,225,184
Cash and bank balances	307,085	21,975	137,290	10,749	-	-	-	-	52,842	27,047	556,988
Total	36,399,585	7,597,537	29,639,505	7,190,098	734,371	(126,797)	341,661	690,658	(280,192)	2,994,874	85,181,300
Liabilities (US$)											
Reinsurance contract liabilities	4,134,112	8,718	8,038,947	898,023	770,116	1,222,366	461,569	1,539,886	389,274	2,565,116	20,028,127
Payables arising from retrocession arrangements	2,185,856	-	95,272	290,031	79,791	98,135	54,851	1,296	98,522	431,003	3,334,757
Deposits retained on ceded reinsurance business	316,392	-	-	-	-	-	-	-	-	-	316,392
Unearned premium reserves	2,780,735	12,285	6,302,273	1,518,477	1,493,278	1,080,007	288,421	764,551	378,158	1,726,695	16,344,880
Deferred retrocession revenue	1,697,553	-	-	-	-	-	-	-	-	-	1,697,553
Total	11,114,648	21,003	14,436,492	2,706,531	2,343,185	2,400,508	804,841	2,305,733	865,954	4,722,814	41,721,709
Net Exposure	25,284,937	7,576,534	15,203,013	4,483,567	(1,608,814)	(2,527,305)	(463,180)	(1,615,075)	(1,146,146)	(1,727,940)	43,459,591

Notes To The Financial Statements (Continued)

37 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Market risks (Continued)

Equity price risk

Equity price risk is the potential loss in fair value resulting from adverse changes in share prices.

The Company has a small portfolio of equity investments quoted in Nairobi Stock Exchange (NSE) and as such it is exposed to share price fluctuations. The Company manages its exposure to this risk as follows:

- Setting a limit on the maximum proportion of the investment portfolio that can be invested in equity;
- Diversification in the equity portfolio; and,
- Regular review of the portfolio and the market performance.

At 31 December 2010, if the share prices at the NSE had increased/decreased by 8% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation to the index, total comprehensive income for the year would have been US$44,082 (2009: US$ 4,242) higher/lower, and equity would have been US$ 44,082 (2009: US$ 4,242) higher/lower.

(c) Liquidity risk

The Company is exposed to calls on its available cash resources from reinsurance claims and settlement of retrocession premiums. The Company ensures that the maturity profile of investments is well managed so that cash is readily available to meet claims as they arise.

The table below shows the contractual timing of cash flows arising from assets and liabilities included in the Company's ALM framework for management of reinsurance contracts as of 31 December 2010:

	Total Amount 31.12.2010	No stated maturity	Contractual cash flows (undiscounted) 0-1 yr	1-2 yrs	2-3 yrs	3-4 yrs	> 5 yrs
Financial assets: (US$)							
Available-for-sale equity investments	4,550,028	4,550,028	-	-	-	-	-
Receivables arising out of reinsurance arrangements	8,070,459	-	8,070,459	-	-	-	-
Deposits retained by ceding companies	2,066,665	-	2,066,665	-	-	-	-
Retrocessionaires share of technical liabilities	9,683,597	-	9,683,597	-	-	-	-
Deferred Acqusition Costs	6,085,319		6,085,319	-	-	-	-
Government securities held to maturity	7,156,274	-	5,512,909	123,855	149,500	-	1,370,010
Deposits with financial institutions	49,837,655	-	38,840,019	10,796,947	-	-	200,689
Cash and bank balances	954,352	-	954,352	-	-	-	-
Total	88,404,349	4,550,028	71,213,320	10,920,802	149,500	-	1,570,699
Reinsurance liabilities (US$)							
Reinsurance contract liabilities	27,204,105	-	27,204,105	-	-	-	-
Payables arising from retrocession arrangements	4,033,648	-	4,033,648	-	-	-	-
Deposits retained on ceded reinsurance business	311,383	-	311,383	-	-	-	-
Deferred Retrocession Commission Revenue	2,120,655	-	2,120,655	-	-	-	-
Total	33,669,791	-	33,669,791	-	-	-	-
Liquidity Surplus	54,734,558	4,550,028	37,543,529	10,920,802	149,500	-	1,570,669

Notes To The Financial Statements (Continued)

37 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk (Continued)

The table below shows the contractual timing of cash flows arising from assets and liabilities included in the Company's ALM framework for management of short term reinsurance contracts as of 31 December 2009:

	Total Amount	No stated	Contractual cash flows (undiscounted)				
Financial assets (US$)	**31.12.2009**	**maturity**	**0-1 yr**	**1-2 yrs**	**2-3 yrs**	**3-4 yrs**	**> 5 yrs**
Available-for-sale equity investments	2,349,936	2,349,936	-	-	-	-	-
Receivables arising out of reinsurance arrangements	5,756,317	-	5,756,317	-	-	-	-
Deposits retained by ceding companies	1,743,500	-	1,743,500	-	-	-	-
Retrocessionaires share of technical liabilities	7,219,699	-	7,219,699	-	-	-	-
Government securities held to maturity	9,762,352	-	7,466,132	547,915	131,733	159,007	1,457,565
Deposits with financial institutions	40,225,184	-	39,957,509	-	-	-	267,675
Cash and bank balances	556,988	-	556,988	-	-	-	-
Total	67,613,976	2,349,936	62,700,145	547,915	131,733	159,007	1,725,240
Reinsurance liabilities (US$)							
Reinsurance contract liabilities	20,028,127	-	20,028,127	-	-	-	-
Payables arising from retrocession arrangements	3,334,757	-	3,334,757	-	-	-	-
Deposits retained on ceded reinsurance business	316,391	-	316,391	-	-	-	-
Total	23,679,275	-	23,679,275	-	-	-	-
Liquidity Surplus	43,934,701	2,349,936	39,020,870	547,915	131,733	159,007	1,725,240

Notes To The Financial Statements (Continued)

37 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value of financial assets and liabilities

(i) Financial instruments not measured at fair value

Disclosures of fair value of financial instruments not measured at fair value have not been made because the financial instruments carrying amounts is a reasonable approximation of their fair values.

(ii) Fair value hierarchy

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

- Level 1 – Quoted prices in active markets for identical assets or liabilities. This level includes equity securities and debt instruments listed on the Nairobi stock exchange.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly as prices or indirectly as derived from prices.
- Level 3 – inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

31 December 2010		**Level 1**	**Level 2**	**Level 3**	**Total**
	Note	**US$**	**US$**	**US$**	**US$**
Financial assets:					
Available-for-sale					
- Quoted equity instruments	13	3,831,278	-	-	3,831,278
		========	=====	=====	========

31 December 2009		**Level 1**	**Level 2**	**Level 3**	**Total**
	Note	**US$**	**US$**	**US$**	**US$**
Financial assets:					
Available-for-sale					
- Quoted equity instruments	13	1,631,186	-	-	1,631,186
		========	=====	=====	========

Notes To The Financial Statements (Continued)

38 CAPITAL MANAGEMENT

The Company is not subject to any externally imposed capital requirements. However, the Company will continue to actively grow its available capital to meet rating agencies' requirements for its target rating as well as achieve a comfortable internally determined capital adequacy ratio (available capital divided by required risk adjusted capital)

The Company's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- to maintain financial strength to support new business growth;
- to satisfy the requirements of its reinsured and rating agencies;
- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- to allocate capital efficiently to support growth;
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

An important aspect of the Company's overall capital management process is the setting of target risk-adjusted rate of return which is aligned to performance objectives and ensures that the Company is focused on the creation of value for shareholders.

The Company has a number of sources of capital available to it and seeks to optimise its retention capacity in order to ensure that it can consistently maximise returns to shareholders. The Company considers not only the traditional sources of capital funding but the alternative sources of capital including retrocession, as appropriate, when assessing its deployment and usage of capital. The Company manages as capital all items that are eligible to be treated as capital.

The constitution of capital managed by the Company is as shown below:

	2010 US$	2009 US$
Share capital	30,514,101	30,011,275
Share premium	895,756	337,619
Property revaluation reserve	152,200	211,294
Available for sale fair value reserve	(360,471)	(824,432)
Retained earnings	18,785,686	14,738,424
Total capital - Equity	49,987,272	44,474,180

Revenue Accounts

2010 REVENUE ACCOUNT

APPENDIX I

Class of insurance Business	**Property**	**Casualty**	**Motor**	**Marine**	**Aviation**	**Life**	**Total**
	US$	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**
Gross premium written	27,900,241	14,469,301	5,639,673	6,658,053	246,468	4,929,380	59,843,116
Less: retrocession premiums	(10,481,682)	(1,854,166)	(553,882)	(880,350)	(2,272)	(27,996)	(13,800,348)
Net Premiums Written	17,418,559	12,615,135	5,085,791	5,777,703	244,196	4,901,384	46,042,768
Change in net UPR	(252,393)	147,223	(48,686)	(241,147)	7,523	(389,945)	(777,425)
Net earned premiums	**17,166,166**	**12,762,358**	**5,037,105**	**5,536,556**	**251,719**	**4,511,439**	**45,265,343**
Gross claims paid	11,563,460	6,476,343	2,031,087	2,474,725	111,861	3,386,619	26,044,095
Change in gross o/s claims	2,437,758	832,430	974,345	1,440,016	5,326	(7,195)	5,682,680
Less: amounts recoverable from retrocessionaires	(3,739,826)	(1,513,428)	15,517	(536,468)	-	874	(5,773,331)
Net claims incurred	**10,261,392**	**5,795,345**	**3,020,949**	**3,378,273**	**117,187**	**3,380,298**	**25,953,444**
Commissions earned	(4,232,397)	(526,780)	(78,375)	(300,360)	(605)	-	(5,138,517)
Commissions expense	8,615,481	4,494,384	430,657	1,797,410	62,955	978,207	16,379,094
Charges & taxes	160,105	93,499	40,600	38,439	433	2,593	335,669
Expenses of management	1,841,721	955,132	372,280	439,504	16,270	325,393	3,950,300
Total expenses and commissions	**6,384,910**	**5,016,235**	**765,162**	**1,974,993**	**79,053**	**1,306,193**	**15,526,546**
Underwriting profit/(loss)	**519,864**	**1,950,778**	**1,250,994**	**183,290**	**55,479**	**(175,052)**	**3,785,353**
Key ratios:	%	%	%	%	%	%	%
Loss ratio (net claims incurred/net earned premium)	59.78	45.41	59.97	61.02	46.55	74.93	57.34
Commissions ratio (commissions payable/gross premium written)	30.88	31.06	7.64	27	25.54	19.84	27.37
Expense ratio (management exps/ gross written premium)	6.60	6.60	6.60	6.60	6.60	6.60	6.60
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Revenue Accounts (Continued)

2009 REVENUE ACCOUNTS

APPENDIX I

Class of insurance Business	**Property**	**Casualty**	**Motor**	**Marine**	**Aviation**	**Life**	**Total**
	US$	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**
Gross premium written	24,771,466	13,124,339	5,925,244	5,988,376	258,347	5,681,141	55,748,913
Less: retrocession premiums	(8,908,751)	(1,199,547)	(515,987)	(816,075)	(12,294)	(29,641)	(11,482,295)
Net premium written	15,862,715	11,924,792	5,409,257	5,172,301	246,053	5,651,500	44,266,618
Change in net UPR	(2,269,206)	(1,525,185)	(29,203)	(257,172)	(31,623)	60,181	(4,052,208)
Net earned premiums	**13,593,509**	**10,399,607**	**5,380,054**	**4,915,129**	**214,430**	**5,711,681**	**40,214,410**
Gross claims paid	10,329,759	6,674,210	2,533,325	2,109,494	57,059	3,544,787	25,248,634
Change in gross o/s claims	1,634,873	(90,782)	770,860	27,361	(95,417)	(115,782)	2,131,113
Less: amounts recoverable from retrocessionaires	(3,146,282)	(650,053)	(36,551)	(92,629)	-	(16,778)	(3,942,293)
Net claims incurred	**8,818,350**	**5,933,375**	**3,267,634**	**2,044,226**	**(38,358)**	**3,412,227**	**23,437,454**
Commissions earned	(3,302,190)	34,413	(79,762)	(222,900)	(421,592)	-	(3,992,031)
Commissions expenses	6,774,309	3,180,650	263,357	1,747,141	46,694	1,492,114	13,504,265
Charges & taxes	131,921	92,854	22,172	36,462	287	2,714	286,410
Expenses of management	1,385,514	734,069	331,410	334,941	14,450	317,757	3,118,141
Total expenses and commissions	**4,989,554**	**4,041,986**	**537,177**	**1,895,644**	**(360,161)**	**1,812,585**	**12,916,785**
Underwriting profit/(loss)	**(214,395)**	**424,246**	**1,575,243**	**975,259**	**612,949**	**486,869**	**3,860,171**
Key ratios:	%	%	%	%	%	%	%
Loss ratio (net claims incurred/net earned premium)	64.87	57.05	60.74	41.59	(17.89)	59.74	58.28
Commissions ratio (commissions payable/gross premium written)	27.35	24.23	4.44	29.14	18.07	26.26	24.22
Expense ratio (management exps/ gross written premium)	5.59	5.59	5.59	5.59	5.59	5.59	5.59
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Membership

APPENDIX II

MEMBERSHIP

Country/ institution	**Shareholder**	**2010 Shareholding** US$	%	**2009 Shareholding** US$	%
Burundi	SOCABU	383,531	1.26	383,531	1.28
	Assurances BICOR	219,566	0.72	219,566	0.73
Kenya	Kenya Reinsurance Corporation Ltd	7,656,293	25.09	7,656,293	25.51
	Government of Kenya	492,417	1.61	492,417	1.64
	Blue Shield Insurance Company Ltd	372,953	1.22	447,464	1.49
	Mayfair Insurance Company Ltd	604,526	1.98	604,526	2.01
	Apollo Insurance Company Ltd	124,984	0.41	124,984	0.42
Mauritius	Government of Mauritius	261,161	0.86	261,161	0.87
Mozambique	EMOSE	306,320	1.00	306,320	1.02
Rwanda	Government of Rwanda	3,266,442	10.70	3,266,442	10.88
	SONARWA	140,055	0.46	140,055	0.47
	SORAS	506,223	1.66	506,223	1.69
Sudan	Government of Sudan	1,795,396	5.88	1,762,005	5.87
	United Insurance Company Ltd	271,846	0.89	266,790	0.89
	Sheikan Ins. & Reins. Ltd	354,290	1.16	347,701	1.16
	Juba Insurance Company Ltd	297,375	0.97	291,845	0.97
Tanzania	National Insurance Corporation (T) Ltd	1,921,807	6.30	1,921,807	6.40
	ZIC	127,670	0.42	127,670	0.43
PPF	PPF	1,715,415	5.62	1,232,886	4.11
Uganda	National Insurance Corporation (U) Ltd	127,663	0.42	127,663	0.43
	Lion Assurance of Uganda Ltd	113,845	0.37	113,845	0.38
	Statewide Insurance Company Ltd	217,018	0.71	217,018	0.72
Zambia	ZSIC Ltd	600,919	1.97	600,919	2.00
	Government of Zambia	1,417,187	4.64	1,350,702	4.50
	ZSIC – Pension Trust	1,350,702	4.43	1,417,187	4.72
COMESA	PTA Bank	2,527,498	8.28	2,527,498	8.42
	COMESA Secretariat	350,570	1.15	350,570	1.17
Zimbabwe	Baobab Reinsurance Company Ltd	454,282	1.49	445,833	1.49
Madagascar	CMAR (NY Havana)	240,721	0.79	240,721	0.80
D.R. Congo	Société Nationale d'Assurances (SA)	125,661	0.41	125,661	0.42
Eritrea	NICE	870,370	2.85	870,370	2.90
Djibouti	Government of Djibouti	1,299,395	4.26	1,263,602	4.21
Total		**30,514,101**	**100.00**	**30,011,275**	**100.00**

Key:

SOCABU : Société d'Assurances du Burundi
EMOSE : Empresa Mocambicana de Seguros
SONARWA : Société Nouvelle d'Assurances du Rwanda
SORAS : Société Rwandaise d'Assurances
ZIC : Zanzibar Insurance Corporation
PPF : Parastatal Pensions Fund
ZSIC (Pension Trust) : Zambia State Insurance Pension Trust Fund
PTA Bank : The Eastern and Southern African Development Bank
CMAR (NY Havana) : Compagnie Malgache d'Assurances et Reassurances (NY Havana)
NICE : National Insurance Corporation of Eritrea (Share) Company
COMESA : Common Market for Eastern and Southern Africa

Credit Rating Certificate

A.M. Best Company

certifies that

ZEP-RE
(PTA Reinsurance Company)

has a

Best's Financial Strength Rating

of

B (Fair)

Certificate Publication Date: April 1, 2011

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A.M. Best Company
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President

Senior Vice President
Ratings

Notes

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