2015
ANNUAL REPORT & FINANCIAL STATEMENTS

ZEP-RE

PTA REINSURANCE COMPANY

ZEP-RE
(PTA Reinsurance Company)

COMMITTED TO QUALITY SERVICE

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CORPORATE INFORMATION

Board of Directors

Mr. William Erio	-	Chairman
Mr. Aden Saleh Omar	-	Vice Chairperson
Mr. Rajni Varia	-	Managing Director
Mr. Caleb Rwamunganza		
Mr. George Silutongwe		
Mr. Mohammed Mousa Idris		
Mr. Tadesse Admassu		
Mr. Thomas Kronsbein		
Mr. Tushar Shah		
Mr. Yaw Kuffour		
Mr. Zeru Woldemichael		

Alternate Directors

Ms. Verdiana Nkwabi Macha
Mr. Daher Wasarma
Mr. Benjamin Mbundi
Mr. Chisimba Chilekwa
Mr. Abdelaal Eldawi Abdelaal
Ms. Joy Uwinema Ntare
Mr. Anjay Patel
Mr. Mesghina Mariam
Mr. Jadiah Mwarania

Management

Mr. Rajni Varia	-	Managing Director
Mrs. Hope Murera	-	General Manager
Mr. Benjamin Kamanga	-	Finance Director
Mr. Ronald Kasapatu	-	Operations Director
Mr. Jephita Gwatipedza	-	Regional Director, Southern Africa Hub
Mr. Thierry Ravoaja	-	Regional Director, West African Hub
Mr. Bernard Katambala	-	Head Facultative & Treaty Business
Mr. Jerry Sogoli	-	Company Secretary
Mr. Joseph Nabimanya	-	HR & Administration Manager
Mr. Kenneth Oballa	-	Training Manager
Mr. Nicholas Malombe	-	Life & Micro Insurance Manager
Mr. Sammy Silamoi	-	Chief Accountant
Mr. Shipango Muteto	-	Head, Business Relations & Country Manager, Zambia
Mr. Victor Chasinda	-	ICT Manager

CORPORATE INFORMATION (Continued)

Head Office

Nairobi, Kenya
ZEP-RE Place, 8th floor
Longonot Road, Upper Hill
P. O. Box 42769 – 00100
Nairobi, Kenya
Tel: +254 20 2738221/4973000
Fax: +254 20 2738444
Email: mail@zep-re.com
Website: www.zep-re.com

Regional Hubs

Abidjan, Ivory Coast
Cocody Cannebière,
Cocody, Abidjan
08 BP 3791 Abidjan 08
Tel: +225 22 40 27 85

Harare, Zimbabwe
Joina City, 16th Floor -North Wing
Cnr Jason Moyo and Inez Terrace
Harare, Zimbabwe
Tel: +263 4 777 929/932

Country Offices

Douala, Cameroon
Immeuble SCI NESCO
Face ancienne Boulangerie Chococho Bonapriso
BP 1172, Douala - Cameroon
Tel: + 237 233 42 07 67
+ 237 233 42 04 52

Lusaka, Zambia
No. 54, Plot No. 356184,
Base Park (Diamond Park), Alick Nkhata Road
P. O. Box 36966
Lusaka, Zambia
Tel: +260 211 252586
Fax: +260 211 251227

Khartoum, Sudan
Reinsurance House Building
P. O. Box 3224
Khartoum, Sudan
Tel: +249 183 799357/8
Fax: +249 183 799359

CORPORATE INFORMATION (Continued)

Auditors

PricewaterhouseCoopers
Certified Public Accountants (Kenya)
PwC Tower, Waiyaki Way/Chiromo Road,Westlands
P.O. Box 43963 – 00100
Nairobi, Kenya

Bankers

Standard Chartered Bank Kenya Limited
Standard Chartered @ Chiromo, Level 5, 48 Westlands Road,
P.O. Box 40984 - 00100
Nairobi, Kenya

CfC Stanbic Bank Kenya Limited
CFC Centre, Chiromo Road,
P.O. Box 72833 - 00200
Nairobi, Kenya.

Stanbic Bank Zambia Limited
Woodgate House, Nairobi Place, Cairo Road,
P.O. Box 319555
Lusaka, Zambia

KCB Bank Kenya Limited
University Way Branch
P.O. Box 7206 - 00300
Nairobi, Kenya

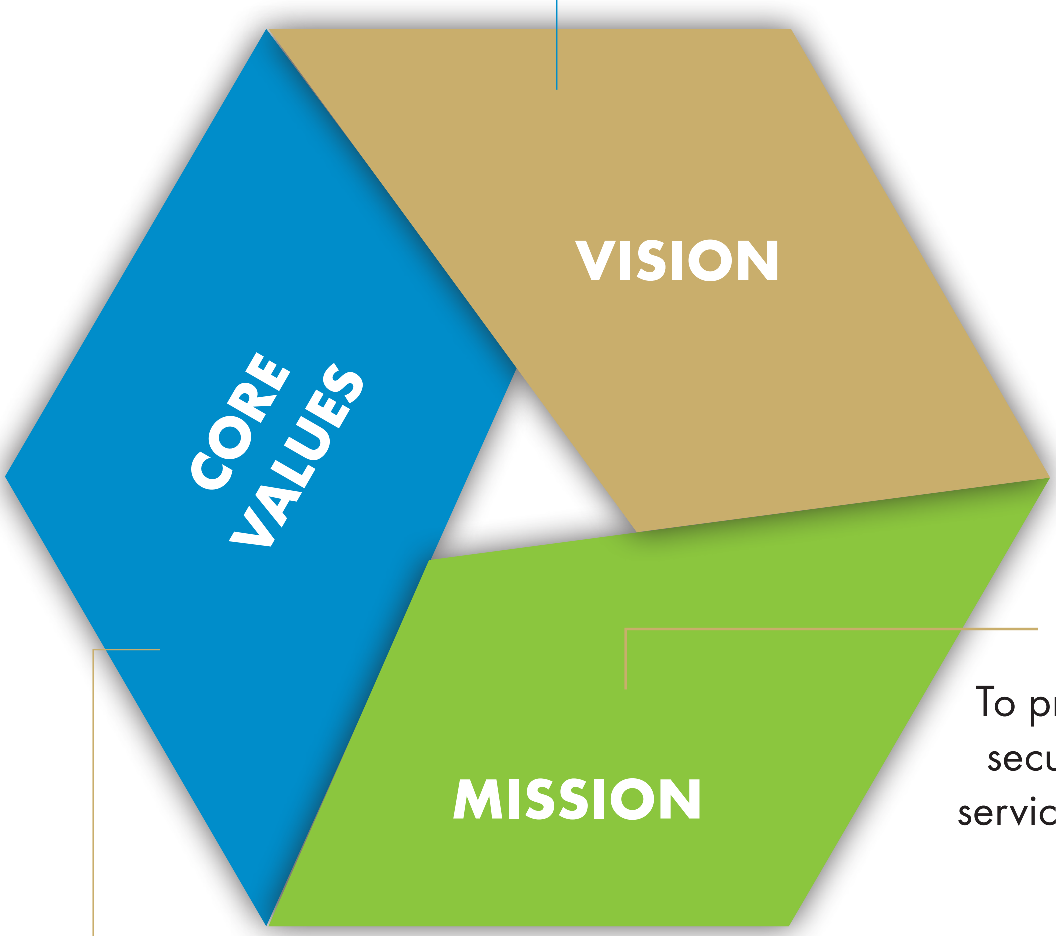
Sudanese French Bank
P.O. Box 2775
Khartoum, Sudan

SCB Cameroon
530, Rue du Roi George
B. P. 300
Douala, Cameroon

Stanbic Bank Zimbabwe Limited
Parklane Branch
Harare, Zimbabwe

CORPORATE INFORMATION (Continued)

VISION, MISSION & CORE VALUES



VISION

To be a world class leading reinsurer in Africa

MISSION

To provide first class security and quality services to our clients

CORE VALUES

- We are customer driven
- We are a professional team
- We are committed to our work
- We act with integrity
- We are a responsible corporate citizen

PROFILES OF THE BOARD OF DIRECTORS

Mr. William Erio

Mr. William Erio is the Chairman 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. He currently serves as the Director General of the PPF Pension Fund of Tanzania and holds directorship positions in Tanzania National Reinsurance Corporation Limited, IHPL Limited and PPL Limited.

Mr. Aden Saleh Omar

Mr. Aden Saleh Omar is a Vice Chairman of ZEP-RE and has served on the Board of ZEP-RE since 2007. Mr. Saleh holds a Master's Degree in Insurance from the International Insurance Institute in Yaoundé, Cameroon. Mr. Aden 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. Aden is currently the Commissioner of Insurance of the Republic of Djibouti.

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 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. Mr. Varia is a renowned expert in engineering insurance and has facilitated many training sessions in this field. Mr. Varia also holds a Directorship position with Tanzania National Reinsurance Corporation Limited (TANRE).

Mr. Caleb Rwamunganza

Mr. Caleb Rwamuganza is a non-Executive Director of ZEP-RE. He joined the Board of ZEP-RE in May 2014. He is currently the Director General of National Budget in the Ministry of Finance and Economic Planning. Caleb has served in Public Finance Management for more than 14 years in various technical and senior management positions culminating in him heading the National Treasury during the last four years. Caleb has participated in both a supporting and leading role raising funds for Government of Rwanda projects such as Rwandair, Bank of Kigali's IPO and Rwanda's debut Euro Bond amongst others. Mr. Rwamuganza holds Bachelors of Business Administration (Accounting) from Nkumba University-Uganda and an MA in Corporate Finance and Management from Southampton Solent Univeristy, UK. He previously served as non-Executive Director of Bank of Kigali and is currently a Director of Rwandair Ltd.

Mr. George Silutongwe

Mr. George Silutongwe is a non-Executive Director of ZEP-RE. He joined the Board of ZEP-RE in May 2013. He is currently the Group Managing Director of ZSIC Group Ltd in Zambia. Mr Silutongwe has served in the Insurance Industry for more than 30 years in various technical and executive posts including those of Managing Director, Professional Life Assurance (PLA), and Professional Insurance Corporation Zambia Ltd (PICZ). Mr Silutongwe is an Associate of the Chartered Insurance Institute (ACII), a Chartered Insurer, and holds an MBA from the University of Lincoln, UK. He currently holds Directorships on the Boards of the ZSIC Group, and IZWE Loans Zambia Ltd.

Mr. Mohammed Mousa Idris

Mr. Mohammed Mousa Idris is a non-Executive Director who was elected to the Board of ZEP-RE in 2012. He has extensive work experience in insurance business and regulation. Mr. Idris is currently the General Manager of the Insurance Supervisory Authority of Sudan.

Mr. Tadesse Admassu

Mr. TadesseAdmassu is a non-Executive Director of ZEP-RE. He joined the Board of ZEP-RE in May 2013. He is currently the President and Chief Executive of PTA Bank, the Eastern and Southern Africa Trade and Development Bank. Mr. Admassu holds an MSc from the London School of Economics, an MBA from Wits Business School, and post-graduate training in strategic banking, private equity and executive management at INSEAD, Harvard Business School and Euromoney. Prior to joining the PTA Bank, Mr. Admassu worked in the various positions in the banking industry in Johannesburg, Windhoek and New York. He is currently Vice-Chairman of the African Association of Development Finance Institutions, a Non-Executive Director at Gulf Africa Bank and a Director at GAIN in Geneva and FISEA in Paris.

Mr. Thomas Kronsbein

Mr. Thomas Kronsbein is a non-Executive Director of ZEP-RE. He joined the Board of ZEP-RE in May 2014. He is currently an Investment Manager with the Equity and Mezzanine (Insurance Investments) division of the DEG – Deutsche Investitions- und EntwicklungsgesellschaftmbH in Cologne, Germany. Prior to joining DEG, Mr.

PROFILES OF THE BOARD OF DIRECTORS (Continued)

Kronsbein held corporate finance positions with AXA Group and Ernst & Young. Mr. Kronsbein studied at Würzburg University, Germany and Umeå University, Sweden and holds a business degree in Finance & Accounting (Diplom-Kaufmann).

Mr. Tushar Shah

Mr. Tushar Shah is a non-Executive Director of ZEP-RE and has served on the Board of ZEP-RE since 2010. Mr. Shah is an automobile engineer by profession and was previously MD of Tausi Assurance. He is currently the Managing Director of Mayfair Insurance Company in Kenya and a Director of Mayfair Zambia.

Mr. Yaw Kuffour

Mr. Yaw Adu Kuffour is a non-Executive Director of ZEP-RE and has served on the Board of ZEP-RE since June 2011. He is the Division Manager, Trade & Commodity Finance Division, Financial Sector Department, African Development Bank. Prior to Joining the African Development Bank 6 years ago, Mr. Kuffour worked in banking and industry for more than 10 years and held corporate finance positions in Ghana, London and Johannesburg. He has led and worked on several transactions involving project finance, structured finance, syndicated loans, and fixed income instruments across Africa. Mr. Kuffour holds a Bachelor of Arts Degree in Political Science (with Honours) from the University of Ghana, Legon and an MBA (Finance) from McGill University, Canada.

Mr. Zeru Woldemichael

Mr. Zeru Woldemichael is a non-Executive Director of ZEP-RE. He joined the Board of ZEP-RE in May 2013 (he had previously served as a non-Executive Director at Zep Re for six years, from 2001 to 2006). He has also been elected as a Vice Chairman of the Board of Directors of Africa Re since June 2014. He is currently the Managing Director/CEO of the National Insurance Corporation of Eritrea and the New Sudan Insurance Company (South Sudan). Mr Woldemichael is a Chartered Insurer and holds a BBA degree in Management and Accounting. He has over 40 years' experience in the insurance industry.

NOTICE OF THE 24TH ANNUAL GENERAL ASSEMBLY

NOTICE IS HEREBY GIVEN that the 25th Annual General Assembly of ZEP-RE (PTA Reinsurance Company) will be held in Mombasa, Kenya on Friday 27th May 2016 at 0900 hours Kenyan time to conduct the following business

1. To note the presence of a quorum.
2. To adopt the agenda.
3. To confirm minutes of the previous Annual General Assembly held on 9th May 2015.
4. To consider and adopt the Financial Statements for the year ended 31st December 2015 together with the Chairman's Statement, the Directors' Report and Auditor's Report.
5. To approve the Directors' remuneration for the financial year ended 31st December 2015.
6. To declare a dividend. The Directors recommend approval of a dividend of US 4,500,000 for the year ended 31 December 2015.
7. To consider and if approved, appoint External Auditors for 2015 and approve their remuneration.
8. To elect a new Board of Directors
9. To undertake any other business.

VENUE
Serena Beach Hotel and Spa, Mombasa, Kenya

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 2016.

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 2015. The just ended financial year was a challenging year. Uncertainties in the global economic sphere affected performance in our key markets but we were able, through effort and determination, overcome most of the challenges posed resulting in the Company witnessing yet another steady and solid operational performance.

Business Environment and outlook

I Global Economy

The key contributor to the difficulties the global economy faced in 2015 was the slowdown of economic growth in China, hitherto the manufacturing hub and engine of global growth. The slowdown meant demand for oil and metals declined resulting in a tumbling of commodity prices, in particular oil, iron and copper. The upside was that basic necessities became cheaper.

Growth remained moderate overall but recovery in advanced economies picked up slightly. On the other hand, activity in emerging market and developing economies slowed down on the back of weaker prospects for commodity-exporting countries. Geopolitical risks continued to rear their heads with key concerns being the Syrian war and associated refugee crisis and terrorism threats in Europe and Africa.

According to the IMF's World Economic Outlook report, global economic growth clocked in at 3% in 2015 compared to 4% in 2014. Key financial issues that shaped the global economic landscape in 2015 included temporary surges in volatility associated with the Greek debt negotiations, the sharp stock market decline in China, appreciation of the dollar against emerging market currencies and a weakening of commodity prices. These factors point to a somewhat weaker recovery in 2016 than previously envisaged.

II Regional economy

Economic growth in Sub-Saharan Africa was restrained at 4% compared to 5% in 2014. The slowdown was mainly driven by subdued commodity prices, security threats, a slowdown in the region's main trading partners and adverse weather conditions, in particular in the southern part of the continent. The countries most hit were

REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS (Continued)

the commodity exporters who in general witnessed slow down with Angola, Nigeria and Zambia witnessing the most negative hit. A few pockets of positive growth were seen in more diversified and non-commodity reliant economies such as Ethiopia and Kenya. Security concerns continued to manifest themselves in a number of ways including political turmoil in the Central African Republic & South Sudan, and terrorism in the northern, western and eastern parts of Africa. Outlook for the Sub-Saharan region in 2016 is positive and it is expected that growth will be better than 2015 but acceleration will likely be mild. The main challenges that the region faced in 2015 are expected to continue in 2016 meaning growth prospects will remain average.

Highlights of performance

I Premiums

Gross premium income grew by 10.6% from US$ 125.4 million in 2014 to US$ 138.8 million in 2015. A key contributor to the lower than projected growth was the across the board depreciation of most local currencies against the United States dollar. The Company underwrites its business in local currencies but writes its books in United States dollars. Had local currencies remained stable at 2014 values, the growth in 2015 would have been 22.4%.

II Economic performance of the Company's key markets

The COMESA region remained the Company's key market in 2015, contributing over 68% of business underwritten by the Company. The rest of Africa contributed 14.3% of the business while 17.6% came from regions outside Africa (in particular the Indian sub-continent).

Economic factors prevailing in the key markets of the Company that contributed to the specific operational performance of the Company in the said territories were as follows: -

Kenya

Kenya remained the Company's largest market. During the period under review, Kenya's economy experienced a 5.6% GDP growth mainly driven by finance and insurance activities, wholesale and retail trade and agriculture and forestry. The growth was slightly lower than projection driven by a couple of offsetting factors including delays in planned road infrastructure spending, weaker tourism receipts, volatile external capital flows and public debt pressures. The aforementioned notwithstanding, Kenya remained one of the few markets in the region that bucked the trend and overcame the negative pressures brought to bear by collapse in world commodity prices to register meaningful growth. 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 untapped sectors of the insurance business.

Tanzania

Tanzania remained the second largest market of the Company in 2015. Like other markets in the region, Tanzania's economy registered remarkable growth, posting a GDP growth of 7%. The main drivers of growth were communication, finance, construction and mining sectors. Tanzania remains an important market for the Company given the size of the market and growth prospects of the insurance industry. The Company's strategy going forward is to consolidate its current position while pursuing further growth in the market.

India

India became the third largest market of the Company in 2015 and posted the highest premium growth rate of all our major markets. The growth in this market can be attributed to organic business growth and the relatively strong performance of the Indian Rupee against the United States dollar compared to local currencies in the Company's traditional markets. India's insurance market growth is a reflection of the general growth experienced in the Indian economy which, in 2015, grew by an impressive rate of 7.5%. Key drivers of growth included increased public investment, better infrastructure and increased private sector investment in particular capital inflows.

REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS (Continued)

Uganda

Uganda was another market that the Company registered impressive business growth catapulting the market into one of its top key markets. The business growth in Uganda was driven by increased business shares across major lines and general organic growth in the market. Uganda's economy registered a GDP growth 5.9% in 2015. The good performance was mainly driven by growth in the agricultural sector, services industry and increased investment in infrastructural projects. A couple of offsetting factors including increased government borrowing, supply-side constraints due to elections that were being anticipated and reduced foreign currency reserves held back the economy from growing further. Uganda is a growth target market for ZEP-RE and the Company's strategy is to increase its business shares and seek leads from players in the market with a view to consolidating and ensuring Uganda remains a key market.

Sudan

Sudan was the sixth largest market of the Company in 2015. Although the GDP growth in 2015 was at a suppressed level of 3%, the Company managed to register good business growth in the market. The economic growth witnessed in Sudan was mainly driven by rain-fed agriculture and minerals. Negative pressures were experienced in the key revenue earning stream of oil-transit fees following a fall in world oil prices and civil war that broke out in South Sudan. It is anticipated, however, that the fiscal consolidation activities being undertaken in the economy and efforts to integrate with global value chains should provide opportunities for growth and reverse the slowdown going forward in particular with the adoption of a new IMF SM program and a five-year programme of economic reform 2015-2019.

III Underwriting results

In 2015, the Company's underwriting profit increased to US$ 8.95 million from the underwriting profit of US$ 8.5 million in 2014. The Company managed to post improved underwriting results despite incurring a net loss of US$ 4.0 million from the Nepal earthquakes, posting a net loss ratio of 54.2% compared to a net loss ratio of 53.1% in 2014.

Net claims incurred in 2015 amounted to US$ 59.79 million compared to US$ 51.19million in 2014.

IV Outstanding claims provision

The Company's outstanding claims' reserves increased to US$ 81.4 million in 2015 from US$ 56.3 million in 2014.

V Investments

Portfolio

The investment portfolio value increased from US$ 184.02 million as at 31 December 2014 to US$ 208.75 million as at 31 December 2015, an increase of 13.44 %. This growth is attributable to cash flow surplus from operating activities and proceeds from the issue of shares.

In the year under review the Company continued portfolio diversification which increased the proportion denominated in the reporting currency, United States Dollars, and amounts held by investment grade rated counterparties.

Performance

The investment income increased by 8% from US$ 10.86 in 2014 to US$ 11.72 in 2015, despite a US$ 1.7 million decrease in fair value gains on investment properties. The investment income growth is on account of the aforementioned increase in the value of the investment portfolio and diversification to better yielding instruments.

REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS (Continued)

VI Profitability

The Company achieved a profit of US$ 19.96 million in 2015 compared to US$ 18.7 million in 2014. The increase in profitability is attributable to a slight improvement in underwriting results and higher investment income.

VII Dividend

The Company's profit for the year was US$ 19.96 million compared to US$ 18.7 million in 2014.

Based on these results, the Board of Directors is recommending a dividend of US$ 4.5 million from the results of 2015 - a 9.2% growth from that of 2014, US$ 4.12 million.

VIII Security Rating

A.M. Best Rating

The Company retained its credit rating of "B+" and issuer credit rating of "bbb-" with AM Best rating agency.

GCR Rating

The Company also undertook an initial rating with Global Credit Ratings (GCR) and secured a national claims paying ability rating of AA+. The rating rationale took into account ZEP-RE's favourable strategic position in the African region, a very strong risk adjusted capitalisation and a solid balance sheet capacity relative to its peers.

IX Governance

Changes to the Board

The 24th Annual General Assembly held on 9th May 2015 appointed two new Alternate Directors, Ms. Verdiana Nkwabi Macha and Ms. Joy Uwinema Ntare, to the Board of the Company. They replaced Mr. Justin Mwandu and Mr. Patience Matshe respectively, both of whom had retired from their positions during the course of the year.

In June 2015 Mrs. Nelius Kariuki, a long serving Director from Kenya retired from the Board of the Company. Mr. Jadiah Mwarania, the Alternate Director took over the substantive duties of Director and has been sitting on the Board since.

Appreciation

I take this opportunity to recognize, with much appreciation, the contribution that my fellow directors have made to make this yet another successful year. I thank you for your wise counsel, support, direction and service as members of the Board and various Board committees.

To management and staff, we are grateful for your hard work that ensured the Company not only achieved but also surpassed the targets for the year under review.

To our shareholders, I thank you for the continuous support and confidence in the Board of Directors and Management.

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

X 2016 Economic Outlook

In 2016, the global GDP is projected to grow by about 3.4% a marginal increase over the 3.1% recorded in 2015. Advanced economies are expected to continue registering modest but uneven growth. Emerging markets and developing economies on the other hand will have diverse fortunes but in many cases challenging.

REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS (Continued)

Sub-Sahara Africa, which comprises the Company's core markets, is expected to see a gradual pickup in growth, but with lower commodity prices, growth rates may be lower than those seen over the past decade. The negative pressures will be driven mainly by continued adjustment to lower commodity prices and higher borrowing costs, factors that are weighing heavily on some of the region's largest economies as well as a number of smaller commodity exporters. The IMF's latest Regional Economic Outlook for sub-Saharan Africa projects a GDP growth of 4.7 percent in 2016.

XI Conclusion

The unending negative pressures on the global and regional economies will not abate any time soon. The Company is therefore repositioning and adjusting its goals and expectations with a view to sustaining its growth momentum. The Board and Management intend to step up business development efforts by doubling efforts in the key traditional markets while seeking new opportunities in frontier markets and untapped business sectors. It is our belief that renewed focus coupled with co-operation from our trusted business partners and support from our shareholders should help ZEP-RE meet its growth objectives and put the Company in good stead to achieve its growth targets.

BY ORDER OF THE BOARD OF DIRECTORS

William Erio
Chairman, ZEP-RE

CORPORATE GOVERNANCE REPORT

GOVERNANCE STATEMENT

ZEP-RE is committed to good principles of Corporate Governance. We adhere to responsible company management and control with specific focus on long term creation of wealth, continued value addition for our shareholders and recognition of the interest of other stakeholders. We place critical importance on promoting and respecting the interests of shareholders, efficient supervisory practices at all decision levels 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 or required to comply with 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 the General Assembly.

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.

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 2015 included approval of the 2014 financial statements, a review of operational performance in 2015, approval of the 2016 budget and operational work plan.

CORPORATE GOVERNANCE REPORT (Continued)

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 Directors 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 Board Risk and Audit Committee, the Board Strategy and Investments Committee and the Nominations and Remuniration and 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 Risk and Audit Committee
The Board Risk and Audit Committee comprises Mr. Tushar Shah (Chairman), Mr. Aden Saleh Omar, Mr Caleb Rwamuganza and Mr. Zeru Woldemichael. 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 thrice in 2015.

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

Board Strategy and Investments Committee
The Board Strategy and Investments Committee comprises Mr. Yaw Kuffour (Chairman), Mr. Rajni Varia (Managing Director), Mr. Tadesse Admassu and Mr. Thomas Kronsbein. The Committee advises the Board on policy issues pertaining to strategy and investments. The Board Strategy and Investments Committee met thrice in 2015.

Board Nominations, Remuneration and Human Resources Committee
The Nominations, Remuneration and Human Resources Committee comprises Mr. George Silutongwe (Chairman) Jadiah Mwarania and Mr. Mohamed Mousa Idris. The Committee is mandated to monitor, evaluate, and advise the Board regarding issues of Board nominations and remuneration and general human resources issues affecting staff. The Nominations, Remuneration and Human Resources Committee met thrice in 2015.

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

CORPORATE GOVERNANCE REPORT (Continued)

Directors' Remuneration

For services on the Board and Board Committees, Directors received remuneration in line with terms approved by the General Assembly. In 2015 the aggregate amount of emoluments received by Directors' is shown in Note 34 (ii) to the financial statements.

Board Attendance in 2015

The table below shows meeting Board attendance (by substantive Directors' or through their Alternates) in 2015.

	Board and AGM Meetings				
	78th Board	24th AGM	79th Board	80th Board	81st Board
Mr. William Erio	✓	✓	✓	✓	✓
Mr. Aden Saleh Omar	✓	✓	✓	✓	✓
Mr. Rajni Varia	✓	✓	✓	✓	✓
Mr. Mohammed Mousa Idris	✓	✓	✗	✓	✓
Mrs. Nelius Kariuki	✓	✓	✓	Retired	
Mr. Caleb Rwamuganza	✓	✗	✓	✓	✓
Mr. Tushar Shah	✓	✓	✓	✗	✗
Mr. Yaw Kuffour	✓	✗	✓	✓	✗
Mr. Thomas Kronsbein	✓	✓	✓	✓	✓
Mr. Tadesse Admassu	✓	✓	✓	✓	✗
Mr. George Silutongwe	✓	✓	✓	✓	✓
Mr. Zeru Woldemichael	✓	✓	✓	✓	✓
Mr. Jadiah Mwarania*				✓	✓

**Alternate to Mrs. Nelius Kariuki and attended Board meeting upon retirement of Mrs. Kariuki*

Managing Director and the Management team

The Managing Director is responsible for the day to day running of the Company. He is appointed by the General Assembly upon recommendation of the Board of Directors' on a fixed term 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' on fixed term renewable contracts. 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.

Chairman
23rd May 2016

Managing Director

REPORT OF THE DIRECTORS

The Board of Directors hereby submit their report together with the audited financial statements for the year ended 31 December 2015, which disclose 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).

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 business classes:

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

Results and dividend for the year

The profit for the year of US$ 19.96 million (2014: US$ 18.71 million) has been transferred to retained earnings. The Directors recommend the payment of a dividend of US$ 4,500,000 for the year ended 31 December 2015 (2014: US$ 4,115,300).

The current Directors of the Company are shown on page 1. This Board was elected by the 22nd Annual General Assembly held in Mombasa, Kenya on 10th May 2013 for a term of three years and its term will come to end during 25th Annual General Assembly.

Retirements from the Board

Following elections carried out by the 22nd Annual General Assembly to constitute a new Board, one substantive Director, Mrs. Nelius Kariuki and two Alternate Directors; Mr. Justin Mwandu and Mr. Patience Matshe retired from their positions on the Board. The Board would like to express sincere gratitude to the aforementioned Board member for the committed service he rendered to the Company during his tenure.

New Appointments to the Board

The 24th Annual General Assembly held on 9th May 2015 appointed two new Alternate Directors to the Board of the Company Ms. Verdiana Nkwabi Macha was appointed to replace Mr. Justin Mwandu and Ms. Joy Uwinema Ntare was appointed to replace Mr. Patience Matshe.

Mr. Jadiah Mwarania, Alternate Director took over the Board responsibilities of Mrs. Nelius Kariuki when she retired in 30th June 2015.

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

The Company's auditors, PricewaterhouseCoopers, expressed willingness to continue in office and a specific resolution will be sought from the 25th Annual General Assembly in this respect.

BY ORDER OF THE BOARD

SECRETARY
23rd May 2016

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 that 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 maintains proper accounting records which disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.

The Directors accept responsibility for the preparation and fair presentation of the annual financial statements that are free from material misstatement whether due to fraud or error. They also accept responsibility for:

(i) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements;
(ii) selecting and applying appropriate accounting policies; and,
(iii) making accounting estimates and judgments that are reasonable in the circumstances.

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 as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and as per the Agreement establishing ZEP-RE (PTA Reinsurance Company).

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.

Approved by the Board of Directors on 23rd May 2016 and signed on its behalf by:

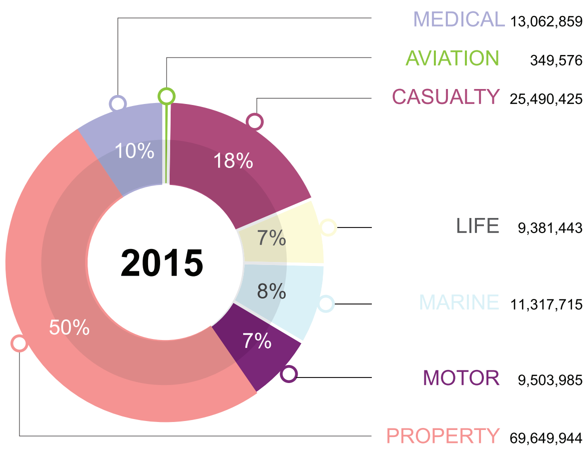
Chairman **Managing Director**

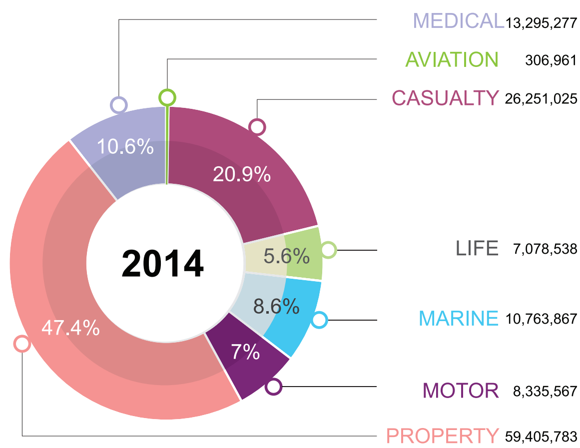
FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED 31ST DECEMBER 2015

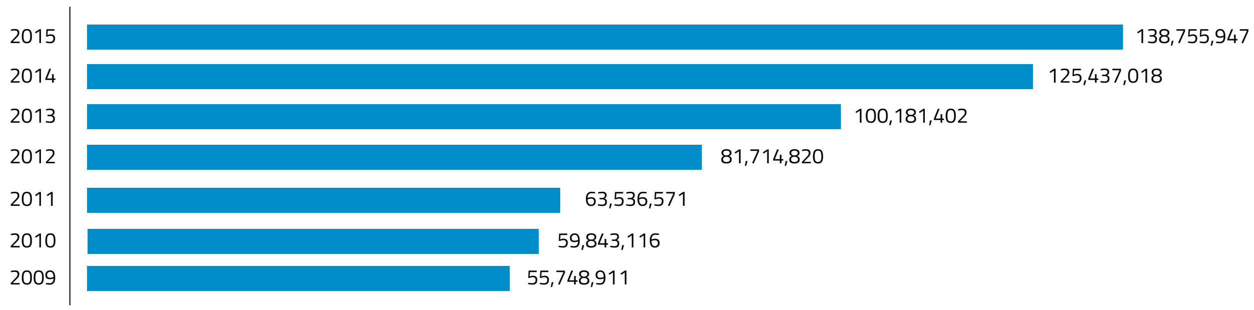
	2009	2010	2011	2012	2013	2014	2015
Gross Premium Written	55,748,911	59,843,116	63,536,571	81,714,820	100,181,402	125,437,018	138,755,947
Net Written Premiums	44,266,616	46,042,768	49,846,359	66,307,584	83,964,961	105,888,455	116,235,351
Net Earned Premiums	40,214,408	44,361,208	46,489,807	60,683,391	77,695,433	96,367,104	110,275,997
Investment & other Income	8,253,469	10,117,026	11,083,593	15,255,819	14,921,584	17,619,892	18,875,457
Total Income	**48,467,877**	**54,478,234**	**57,573,400**	**75,939,210**	**92,617,017**	**113,986,996**	**129,151,454**
Claims Incurred	23,437,454	27,097,758	26,103,374	30,355,413	40,667,775	51,190,046	59,786,689
Commisions & other operating expenses	18,602,983	22,133,214	22,693,198	33,902,114	36,586,089	44,091,207	49,403,820
Profit for the year	**6,427,440**	**5,247,262**	**8,776,828**	**11,681,683**	**15,363,153**	**18,705,743**	**19,960,945**
Dividends Paid & Capitalized	1,200,000	1,311,000	1,573,200	2,359,800	3,226,200	4,115,300	4,500,000
Total Assets	**87,128,548**	**103,110,370**	**130,337,123**	**154,088,372**	**201,843,403**	**255,731,818**	**310,496,459**
Total Equity	**44,474,180**	**49,987,272**	**66,656,019**	**78,774,839**	**105,728,865**	**143,586,785**	**169,683,104**

Gross Premium Written Per Class



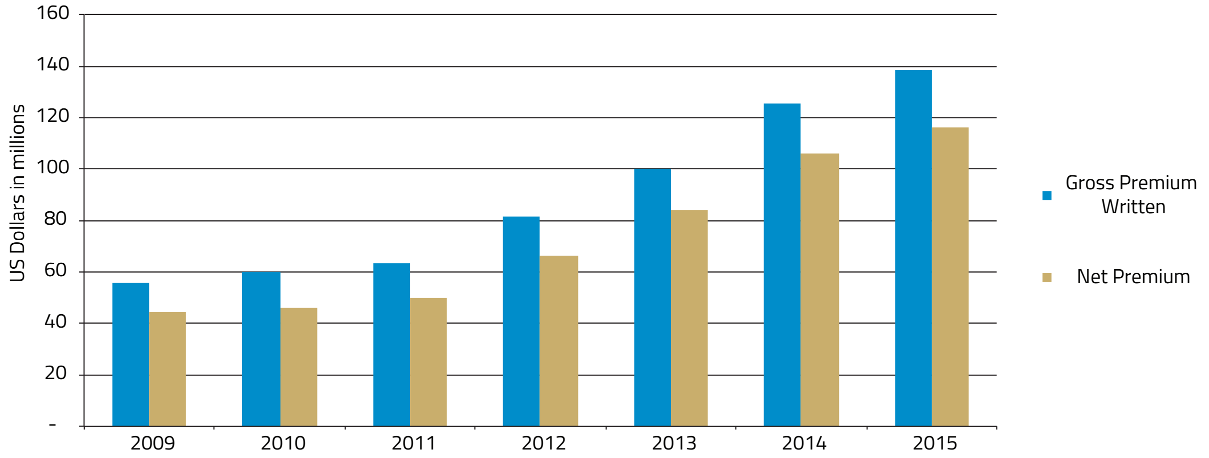


Gross Premium written (US$)

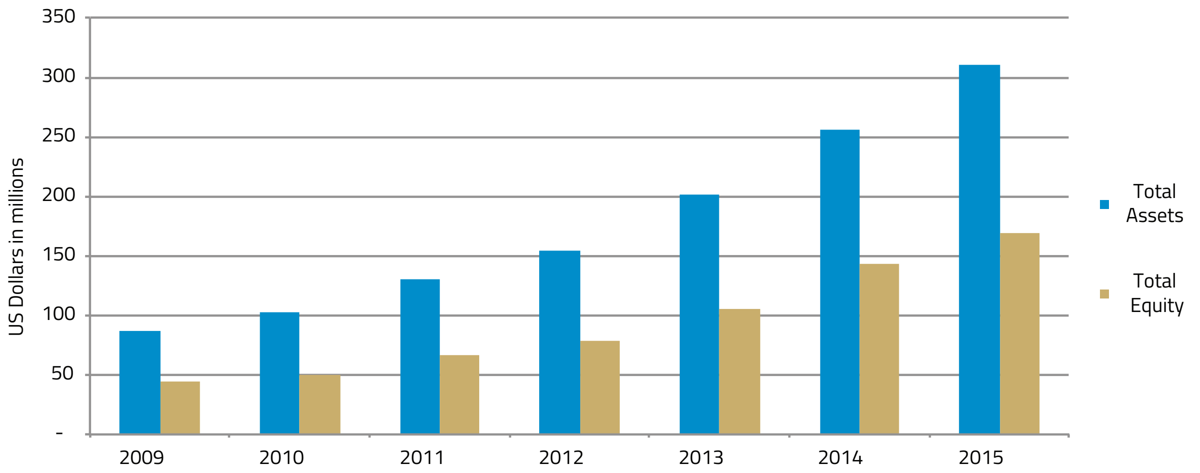


FINANCIAL HIGHLIGHTS (Continued)

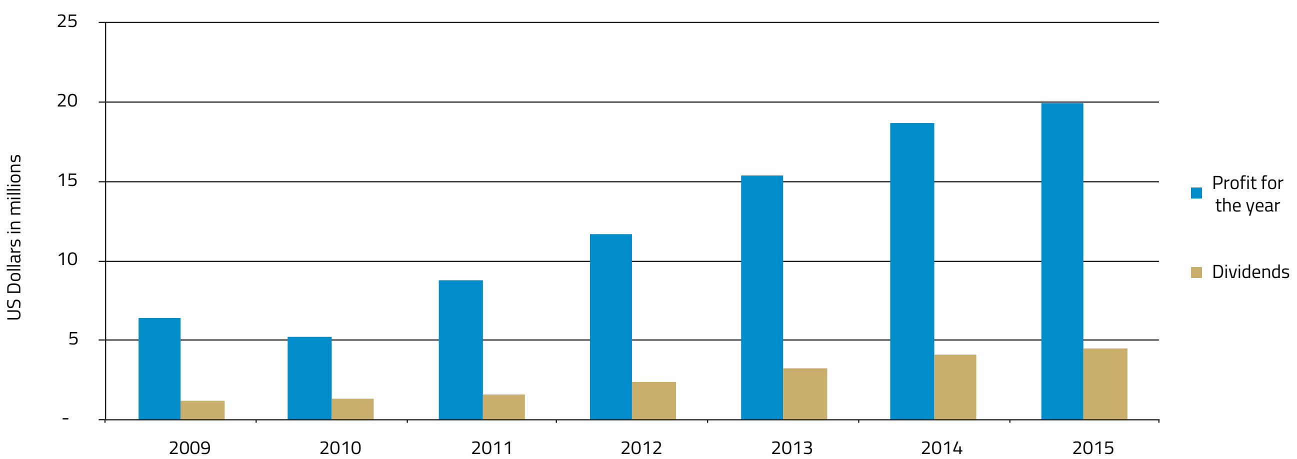
Gross & Net Premiums



Total Assets & Equity



Net Profit & Dividends



REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF ZEP-RE (PTA REINSURANCE COMPANY)

Report on the financial statements

We have audited the accompanying financial statements of ZEP–RE (PTA Reinsurance Company) as set out on pages 16 to 63. These financial statements comprise the statement of financial position as at 31 December 2015 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, together with a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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 internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2015 and of its financial performance 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).

The engagement partner responsible for the audit resulting in this independent auditor's report is FCPA Richard Njoroge – P/ No. 1244.

Certified Public Accountants
Nairobi

23rd May 2016

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T: +254 (20)285 5000 F: +254 (20)285 5001 www.pwc.com/ke
Partners: A Eriksson K Muchiru M Mugasa F Muriu P Ngahu A Njeru R Njoroge B Okundi K Saiti R Shah

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December	Notes	2015 US$	2014 US$
Gross premiums written	3	138,755,947	125,437,018
Less: Retrocession premiums		(22,520,596)	(19,548,563)
Net written premiums		116,235,351	105,888,455
Movement in unearned premiums reserve		(5,959,354)	(9,521,351)
Net earned premiums		110,275,997	96,367,104
Investment income	4	11,720,483	10,856,241
Commissions earned		5,743,906	5,883,809
Other income		1,411,068	879,842
Total income		129,151,454	113,986,996
Gross incurred claims	5	90,206,782	61,359,200
Less: amounts recoverable from retrocessionaires		(30,420,093)	(10,169,154)
Net claims incurred		59,786,689	51,190,046
Operating and other expenses	6	12,104,587	11,174,801
Commissions expenses		37,299,233	32,916,406
Total out go		109,190,509	95,281,253
Profit for the year		19,960,945	18,705,743
Other comprehensive income for year			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on revaluation of available for sale equity investments	12	(1,935,657)	2,253,205
Foreign exchange gain/(loss) on revaluation of available for sale equity investments	12	(1,348,676)	(527,963)
Fair value gain on revaluation of offshore investments	19	(217,802)	213,473
Write-back of impairment loss on investment in affiliated companies	12	100,000	-
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of property	24(ii)	19,776	33,440
Total other comprehensive income for the year		(3,382,359)	1,972,155
Total comprehensive income for year		16,578,586	20,677,898
Earnings per share:			
- Basic and diluted	7	0.397	0.394

STATEMENT OF FINANCIAL POSITION

At 31 December	Notes	2015 US$	2014 US$
ASSETS			
Property and equipment	9	1,363,341	1,462,370
Intangible assets	10	32,341	76,300
Investment properties	11	18,888,529	18,681,887
Available-for-sale equity investments	12	9,304,665	12,038,791
Investment in Affiliated Companies	12	9,976,137	10,135,295
Receivables arising out of reinsurance arrangements	13	26,619,040	22,047,034
Deposits retained by ceding companies	14	3,861,244	3,545,707
Retrocessionaires share of technical liabilities	15	39,601,281	15,040,245
Other receivables	16	3,847,330	3,202,249
Deferred acquisition costs	17	15,012,130	13,831,969
Government securities held to maturity	18	57,638,236	9,837,175
Available for sale -offshore investments	19	8,505,611	8,723,413
Deposits with financial institutions	20	114,417,263	134,738,434
Cash and bank balances	21	1,429,311	2,370,949
Total assets		310,496,459	255,731,818
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	23	52,733,095	49,599,064
Share premium	23	35,257,209	24,758,207
Property revaluation reserve	24	368,384	348,608
Available for sale fair value reserve	24	535,878	4,038,013
Investment in Affiliated companies revaluation reserve	12	100,000	-
Retained earnings	25	80,688,538	64,842,893
Total equity		169,683,104	143,586,785
LIABILITIES			
Reinsurance contract liabilities	26	81,396,560	56,295,273
Provision for unearned premiums and unexpired risks	27	44,934,826	41,404,712
Deferred income	28	62,755	63,570
Payables arising from retrocession arrangements	29	5,464,965	7,168,752
Deposits retained on ceded reinsurance business		438,116	351,584
Deferred retrocession commission revenue	30	3,088,059	2,775,455
Other payables	31	4,565,662	3,638,549
Dividends payable	32	862,412	447,138
Total liabilities		140,813,355	112,145,033
Total equity and liabilities		310,496,459	255,731,818

The financial statements on pages 24 to 81 were approved and authorised for issue by the Board of Directors on 23rd May 2016 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	Investment in affiliated companies revaluation reserve	Retained earnings	Total
		US$	US$	US$	US$	US$	US$	US$
At 1 January 2014		42,268,284	11,682,765	315,168	2,099,298	-	49,363,350	105,728,865
Shares issued during the year	23	7,112,419	12,474,950	-	-	-	-	19,587,369
Dividends declared - 2014	32	-	-	-	-	-	(3,226,200)	(3,226,200)
Issue of shares through capitalisation of 2014 dividends	32	218,361	600,492	-	-	-	-	818,853
Total comprehensive income for the year		-	-	33,440	1,938,715	-	18,705,743	20,677,898
At 31 December 2014		49,599,064	24,758,207	348,608	4,038,013	-	64,842,893	143,586,785
At 1 January 2015		49,599,064	24,758,207	348,608	4,038,013	-	64,842,893	143,586,785
Shares issued during the year	23	2,944,343	9,863,547	-	-	-	-	12,807,890
Dividends declared - 2015	32	-	-	-	-	-	(4,115,300)	(4,115,300)
Issue of shares through capitalisation of 2015 dividends	32	189,688	635,455	-	-	-	-	825,143
Total comprehensive income for the year		-	-	19,776	(3,502,135)	100,000	19,960,945	16,578,586
At 31 December 2015		52,733,095	35,257,209	368,384	535,878	100,000	80,688,538	169,683,104

STATEMENT OF CASH FLOWS

Year ended 31 December	Notes	2015 US$	2014 US$
OPERATING ACTIVITIES			
Net cash generated from operating activities	35	16,754,678	27,196,776
INVESTING ACTIVITIES			
Purchase of property and equipment	9	(33,452)	(171,414)
Purchase of computer software	10	-	(97,022)
Purchase of investment properties	11	(228,075)	(255,686)
Purchase of quoted equity shares	12(i)	(1,502,677)	(2,958,618)
Purchase of shares in affiliated companies	12(ii)	-	(5,748,100)
Transfer from affiliated companies to other payables	12(ii)	259,158	-
Purchase of held to maturity Government securities		(53,204,987)	(5,535,000)
Proceeds on maturity of Government securities		5,422,071	17,356,410
Proceeds of disposal of property and equipment		-	100,189
Proceeds of disposal of quoted shares		1,337,468	970,826
Movement in deposits with financial institutions (excluding cash and cash equivalents)		23,049,671	(27,668,182)
Net cash used in investing activities		(24,900,823)	(24,006,597)
FINANCING ACTIVITIES			
Proceeds of issue of shares		12,807,890	19,587,369
Dividends paid	32	(2,874,883)	(2,452,186)
Net cash generated from financing activities		9,933,007	17,135,183
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,786,862	20,325,362
CASH AND CASH EQUIVALENTS AT 1 JANUARY		44,013,544	23,688,182
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	36	45,800,406	44,013,544

NOTES TO THE FINANCIAL STATEMENTS

1 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 Cameroon, Cote D'Voire, Zimbabwe and, Zambia and a Retakaful Window in Sudan.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

For the purposes of reporting under the Article 31 of the Agreement establishing ZEP–RE (PTA Reinsurance Company), in these financial statements the balance sheet is equivalent to the statement of financial position and the profit and loss account is presented in the statement of Profit or loss and other comprehensive income.

(a) Basis of preparation

The financial statements are prepared 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.

(b) Statement of compliance

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

(i) New and amended standards adopted by the company

The following standards have been adopted by the company for the first time for the financial year beginning on or after 1 January 2015 and have a material impact on the company:

Annual Improvements to IFRSs 2010-2012 and 2011-2013 cycles. The following amendments are effective 1 July 2014:-

- IFRS 3 – clarifies that an obligation to pay contingent consideration is classified as financial liability or equity under the principles in IAS 32 and that all non-equity contingent consideration (financial and non-financial) is measured at fair value at each reporting date.
- IFRS 13 – confirms that short-term receivables and payables can continue to be measured at invoice amounts if the impact of discounting is immaterial.
- IFRS 13 – clarifies that the portfolio exception in IFRS 13 (measuring the fair value of a group of financial assets and financial liabilities on a net basis) applies to all contracts within the scope of IAS 39 or IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Statement of compliance (Continued)

(i) New and amended standards adopted by the company (Continued)

- IAS 16 and IAS 38 – clarifies how the gross carrying amount and accumulated depreciation are treated where an entity measures its assets at revalued amounts.
- IAS 24 – where an entity receives management personnel services from a third party (a management entity), the fees paid for those services must be disclosed by the reporting entity, but not the compensation paid by the management entity to its employees or directors.
- IAS 40 – clarifies that IAS 40 and IFRS 3 are not mutually exclusive when distinguishing between investment property and owner-occupied property and determining whether the acquisition of an investment property is a business combination.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2015 are not material to the company.

(ii) New standards and interpretations early adopted by the company

Amendments to IAS 1, ' Presentation of Financial Statements': The amendments are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments, effective 1 January 2016, provide clarifications on a number of issues, including:

- Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes – confirmation that the notes do not need to be presented in a particular order.
- OCI arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.
- According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.

As these amendments merely clarify the existing requirements, they do not affect the company's accounting policies or any of the disclosures.

(iii) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been early adopted in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Statement of compliance (Continued)

(iii) New standards and interpretations not yet adopted (Continued)

IFRS 9 *Financial Instruments* issued in November 2009 and amended in October 2011 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The company is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The company is assessing the impact of IFRS 15.

IFRS 11, 'Joint arrangements'. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. The amendment is effective for annual periods beginning on or after 1 January 2016.The company is yet to assess IFRS 11's full impact.

IAS 27, 'Separate financial statements'. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016.The company is yet to assess IAS 27's full impact.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Statement of compliance (Continued)

(iii) New standards and interpretations not yet adopted (Continued)

IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures'. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are effective for annual periods beginning on or after 1 January 2016.The company is yet to assess IFRS 10's full impact.

IFRS 16, "Leases". After ten years of joint drafting by the IASB and FASB they decided that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard. The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture). A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment.

This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed. One of the implications of the new standard is that there will be a change to key financial ratios derived from a lessee's assets and liabilities (for example, leverage and performance ratios). IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company.

(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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Income recognition (Continued)

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. Amounts recoverable from or due to retrocessionaires are measured consistently with the amounts associated with the retroceded reinsurance contracts and in accordance with the terms of each retrocession contract. Retrocession liabilities are primarily premiums payable for retrocession contracts and are recognised as an expense when due.

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.

These costs and revenues are recognised over the period in which the related revenues are earned.

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 on a straight line basis over the period of the lease.

All investment income is stated net of investment expenses.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 SUMMARY OF SIGNIFICANT 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 has significant activities of the company being conducted in United States Dollars (US$). The financial statements are presented in United States Dollars (US$) which is the company's functional and presentation currency.

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.

Monetary assets and liabilities expressed in the various functional currencies of member states are translated into United States Dollars (US$) using the closing rate. 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.

The resultant translation gains or losses on translation of the monetary assets and liabilities are recognised in profit or loss.

(e) Receivables and payables related to reinsurance contracts

Receivables and payables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. 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.

(f) Provision for bad and 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.

(g) 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.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) 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. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

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.

An item of property and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal. Gains and losses on derecognition of property and equipment are determined by reference to their carrying amounts. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

(i) 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 recognised 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.

Investment properties are derecognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no further economic benefit is expected from its disposal. On the retirement or disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss for the year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments

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

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

ii. *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 2015 and 31 December 2014.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (continued)

ii. *Financial assets*

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

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

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 other comprehensive income. 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.

Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This includes listed equity securities and quoted debt instruments on major exchange. The quoted market price used for financial assets held by the company is the current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the dates of the statement of financial position.

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (continued)

ii. Financial assets

Determination of fair value (Continued)

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the company at the end of the reporting period during which the change occurred.

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;
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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

ii. *Financial assets (Continued)*

Impairment of financial assets (Continued)
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)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

ii. Financial assets (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.

(iii) Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of nonfinancial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

(k) 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.

(l) 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)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Cash and cash equivalents

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

(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) Share Capital

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received over and above the par value of the shares issued are classified as 'share premium' in equity.

Shares are classified as equity when there is no obligation to transfer cash or other assets.

Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual agreement.

(q) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

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:

	2015 US$	2014 US$
Class of business:		
Property	69,649,944	59,405,783
Casualty	25,490,425	26,251,026
Motor	9,503,985	8,335,567
Marine	11,317,715	10,763,867
Aviation	349,576	306,961
Life	9,381,443	7,078,538
Medical	13,062,859	13,295,276
	138,755,947	125,437,018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 GROSS PREMIUMS WRITTEN (Continued)

(ii) Geographical distribution

Region	2015 Gross premium	2015 %	2014 Gross premium	2014 %
COMESA	94,409,681	68.04	87,043,428	69.39
Non – COMESA (Africa)	19,888,868	14.33	19,859,774	15.83
Other regions	24,457,398	17.63	18,533,816	14.78
Total	138,755,947	100.00	125,437,018	100.00

(iii) Type- distribution

Proportional	102,017,756	73.52	92,279,457	73.57
Non-proportional	21,938,030	15.81	19,353,942	15.43
Facultative	14,800,161	10.67	13,803,619	11.00
Total	138,755,947	100.00	125,437,018	100.00

4 INVESTMENT INCOME

	2015 US$	2014 US$
Interest from Government securities held to maturity	2,577,782	1,344,526
Interest from deposits with financial institutions	7,114,139	6,061,761
Rental income	1,237,601	1,236,649
Dividend income	352,022	335,244
Loan interest receivable	57,230	62,372
Fair value (loss)/gain on investment properties (Note 11)	(21,433)	1,688,714
Gain on sale of quoted shares (Note 24(i))	403,142	126,975
	11,720,483	10,856,241

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 INVESTMENT INCOME (Continued)

Investment income earned on financial assets, analysed by category of asset is as follows:	2015	2014
	US$	US$
Held to maturity investments	9,691,921	7,406,287
Loans and receivables	57,230	62,372
Available for sale investments	755,164	462,219
	10,504,315	7,930,878
Investment income earned on non-financial assets (Property)	1,216,168	2,925,363
Total investment income	11,720,483	10,856,241

5 GROSS INCURRED CLAIMS

Gross settled claims	61,423,538	55,098,005
Change in outstanding claims	28,783,244	6,261,195
	90,206,782	61,359,200

6 OPERATING AND OTHER EXPENSES

	2015	2014
	US$	US$
Employee emoluments and benefits (Note 8)	7,583,503	7,064,117
Auditors' remuneration	30,000	27,800
General assembly and Board expenses	269,795	273,623
Depreciation (Note 9)	152,256	163,001
Amortisation of intangible assets (Note 10)	43,959	43,959
Loss on foreign exchange transactions	881,350	(174,495)
Impairment charge for doubtful receivables		
- arising from reinsurance premium receivables (Note 13(iii))	745,852	1,181,951
Repairs and maintenance	155,513	131,281
Premium taxes and charges	974,901	1,052,752
Property letting fees	-	19,763
Other	1,267,458	1,391,049
	12,104,587	11,174,801

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 EARNINGS PER SHARE

	2015 US$	2014 US$
Profit attributable to shareholders (US$)	19,960,945	18,705,743
Weighted average number of shares issued (Note 23(iii))	50,262,699	47,460,235
Earnings per share (US$) - basic and diluted	0.397	0.394

Earnings per ordinary share is 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 2015 and 31 December 2014. The diluted earnings per share is therefore the same as the basic earnings per share.

8 EMPLOYEE EMOLUMENTS AND BENEFITS

	2015 US$	2014 US$
Staff costs include the following:		
- Salaries and wages	5,875,333	5,505,080
- Staff retirement benefits	801,847	712,882
- Other staff benefits	906,323	846,155
	7,583,503	7,064,117

The number of persons employed by the company at the year-end was 54 (2014: 53).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 PROPERTY AND EQUIPMENT

	2015 US$	2014 US$
Cost or valuation	2,533,151	2,502,377
Accumulated depreciation	(1,169,810)	(1,040,007)
Net book value	1,363,341	1,462,370
Comprising;		
Buildings	1,119,968	1,122,645
Motor vehicles	73,499	123,079
Office furniture and fittings	115,025	121,289
Office equipment	32,893	46,800
Computers equipment	21,956	48,557
Net book value	1,363,341	1,462,370

An independent valuation of the Company's buildings was carried out by Messrs Gimco Limited for the Kenya properties, Knight Frank Zambia for the Zambia property and Messrs Knight Frank Zimbabwe for the Zimbabwe property, registered valuers, to determine the fair value of buildings. The valuers have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuation, done annually, was carried out as at 31 December 2015 on an open market value basis. In estimating the fair value of the buildings, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year. Had the Company's buildings been measured on a historical cost basis, their carrying amount would have been US$ 1,043,396 (2014: US$ 1,004,758).

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$750,001(2014: US$ 682,883) 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$ 160,204(2014: US$ 144,369).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 PROPERTY AND EQUIPMENT (Continued)

	Land and Buildings	Motor vehicles	Office furniture and fittings	Office equipment	Computer equipment	Total
	US$	US$	US$	US$	US$	US$
COST OR VALUATION						
At 1 January 2014	1,400,434	367,242	562,552	125,495	323,488	2,779,211
Additions	-	95,648	22,911	10,090	42,765	171,414
Disposals	-	(168,369)	-	-	(2,090)	(170,460)
Revaluation surplus	11,211	-	-	-	-	11,211
Transfer to investment property	(289,000)	-	-	-	-	(289,000)
At 31 December 2014	1,122,645	294,521	585,463	135,585	364,163	2,502,377
At 1 January 2015	1,122,645	294,521	585,463	135,585	364,163	2,502,377
Additions	-	-	23,424	242	9,786	33,452
Revaluation surplus	(2,677)	-	-	-	-	(2,677)
At 31 December 2015	1,119,968	294,521	608,886	135,827	373,949	2,533,151
ACCUMULATED DEPRECIATION						
At 1 January 2014	-	205,794	432,516	75,453	271,497	985,260
Charge for the year	22,229	49,582	31,658	13,332	46,200	163,001
Eliminated on disposals	-	(83,935)	-	-	(2,090)	(86,025)
Written back on revaluation	(22,229)	-	-	-	-	(22,229)
At 31 December 2014	-	171,441	464,174	88,785	315,607	1,040,007
At 1 January 2015	-	171,441	464,174	88,785	315,607	1,040,007
Charge for the year	22,453	49,581	29,687	14,149	36,386	152,256
Eliminated on disposals	-	-	-	-	-	-
Written back on revaluation	(22,453)	-	-	-	-	(22,453)
At 31 December 2015	-	221,022	493,861	102,934	351,993	1,169,810
NET BOOK VALUE						
At 31 December 2015	1,119,968	73,499	115,025	32,893	21,956	1,363,341
At 31 December 2014	1,122,645	123,080	121,289	46,800	48,556	1,462,370

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 PROPERTY AND EQUIPMENT (Continued)

Details of the company's freehold land and buildings and information about fair value hierarchy as at 31 December 2015 are as follows:

	2015 US$	2014 US$
Level 1	-	-
Level 2	1,119,968	1,122,645
Level 3	-	-
Fair value as at 31 December	1,119,968	1,122,645

There were no transfers between the levels during the year.

10 INTANGIBLE ASSETS – COMPUTER SOFTWARE

	2015 US$	2014 US$
Cost	878,331	878,331
Accumulated amortisation	(845,990)	(802,031)
Net book value	32,341	76,300

Movement analysis: COST	Software licences US$	Other software US$	Total US$
At 1 January 2014	590,426	190,883	781,309
Additions - 2014	31,505	65,517	97,022
At 31 December 2014	621,931	256,400	878,331
At 1 January 2015 and 31 December 2015	621,931	256,400	878,331

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 INTANGIBLE ASSETS – COMPUTER SOFTWARE (Continued)

		2015 US$	2014 US$
ACCUMULATED AMORTISATION			
At 1 January 2014	574,256	183,816	758,072
Charge for the year 2014	18,587	25,372	43,959
At 31 December 2014	592,843	209,188	802,031
Charge for the year - 2015	22,122	21,837	43,959
At 31 December 2015	614,965	231,025	845,990
NET BOOK VALUE			
At 31 December 2015	6,966	25,375	32,341
At 31 December 2014	29,088	47,212	76,300

All software is amortised over a period of five years.

11 INVESTMENT PROPERTIES

	2015 US$	2014 US$
Fair value of investment properties	18,888,529	18,681,887

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 INVESTMENT PROPERTIES (Continued)

Investment properties comprise:

At fair value:	Zep-Re Place US$	Prosperity House US$	Upperhill Parking US$	Zambia land US$	Mombasa Road US$	Harare Property	Total US$
At 1 January 2014	7,233,364	4,867,799	1,506,699	2,145,225	695,400	-	16,448,487
Additions	241,101	13,660	-	925	-	-	255,686
Transfer from PPE	-	-	-	-	-	289,000	289,000
Gain on revaluation	949,833	304,130	294,610	30,349	68,792	41,000	1,688,714
At 31 December 2014	8,424,298	5,185,589	1,801,309	2,176,499	764,192	330,000	18,681,887
At 1 January 2015	8,424,298	5,185,589	1,801,309	2,176,499	764,192	330,000	18,681,887
Additions	228,075	-	-	-	-	-	228,075
(Loss)/ Gain on revaluation	(172,343)	14,411	98,691	32,000	35,808	(30,000)	(21,433)
At 31 December 2015	8,480,030	5,200,000	1,900,000	2,208,499	800,000	300,000	18,888,529

Investment properties were last valued by Gimco Limited for the Kenya properties, Knight Frank Zambia Limited for the Zambia property and Knight Frank Zimbabwe for the Zimbabwe property, registered valuers, as at 31 December 2015, on an open market basis. The valuers have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year. The fair value gain arising from the revaluation has been dealt with in profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 INVESTMENT PROPERTIES (Continued)

Details of the company's investment properties and information about fair value hierarchy as at 31 December 2015 are as follows:

	2015 US$	2014 US$
Level 1	-	-
Level 2	18,888,529	18,681,887
Level 3	-	-
Fair value as at 31 December	18,888,529	18,681,887

There were no transfers between the levels during the year.

12 (i) AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	2015 US$	2014 US$
Quoted equity shares: At fair value		
At 1 January	12,038,791	8,198,782
Additions	1,502,677	2,958,618
Disposals	(952,469)	(843,851)
Fair value gains (Note 24 (i))	(1,935,657)	2,253,205
Exchange difference on revaluation (Note 24 (i))	(1,348,676)	(527,963)
At 31 December	9,304,665	12,038,791

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(ii) INVESTMENT IN AFFILIATED COMPANIES AT COST

	Uganda Reinsurance Corporation	WAICA Reinsurance Corporation	Tanzania Reinsurance Corporation	African Trade Insurance Agency	PTA Bank	Total
	US$	US$	US$	US$	US$	US$
At 1 January 2014	714,935	2,240,000	1,432,260	100,000	-	4,487,195
Additions	84,942	-	-	400,000	5,263,158	5,748,100
At 31 December 2014	799,877	2,240,000	1,432,260	500,000	5,263,158	10,235,295
At 1 January 2015	799,877	2,240,000	1,432,260	500,000	5,263,158	10,235,295
Transfer to Other liabilities	-	-	-	-	(259,158)	(259,158)
At 31 December 2015	799,877	2,240,000	1,432,260	500,000	5,004,000	9,976,137
Impairment loss:						
At 1 January 2014 and 31 December 2014	-	-	-	(100,000)	-	(100,000)
At 1 January 2015	-	-	-	(100,000)	-	(100,000)
Write-back of impairment loss	-	-	-	100,000	-	100,000
31 December 2015	-	-	-	-	-	-
Net book value:						
At 31 December 2015	799,877	2,240,000	1,432,260	500,000	5,004,000	9,976,137
At 31 December 2014	799,877	2,240,000	1,432,260	400,000	5,263,158	10,135,295

The investments above are not quoted in an active market and their fair values cannot be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 RECEIVABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

	2015 US$	2014 US$
Receivables from reinsurance arrangements	31,432,698	26,338,724
Allowance for doubtful arrangements (Note(ii) below)	(4,813,658)	(4,291,690)
Net carrying value	26,619,040	22,047,034

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

(i) Ageing of unimpaired receivables

	2015 US$	2014 US$
0 - 90 days	11,088,268	8,000,661
91 - 120 days	1,457,128	(263,059)
121 - 270 days	6,891,813	8,021,140
271 - 360 days	7,181,831	6,288,292
At 31 December	26,619,040	22,047,034
Average age (days) – gross premium basis	70	60

(ii) Movement in the allowance for doubtful debts

	2015 US$	2014 US$
At 1 January	4,291,690	3,459,181
Charge for the year inward	776,762	1,094,603
Charge for the year outward	(30,910)	87,348
Written off during the year as uncollectible	-	(266,957)
Exchange difference on revaluation	(223,884)	(82,485)
At 31 December	4,813,658	4,291,690

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 RECEIVABLES ARISING OUT OF REINSURANCE ARRANGEMENTS (Continued)

(iii) Impairment charge for doubtful debts (Note 6)

	2015 US$	2014 US$
Arising from reinsurance arrangements - inward	776,762	1,094,603
Arising from reinsurance arrangements - outward	(30,910)	87,348
	745,852	1,181,951

14 DEPOSITS RETAINED BY CEDING COMPANIES

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

	2015 US$	2014 US$
At 1 January	3,545,707	4,622,901
Increase /(decrease)during the year	315,537	(1,077,194)
At 31 December	3,861,244	3,545,707

15 RETROCESSIONAIRES SHARE OF REINSURANCE LIABILITIES

	2015 US$	2014 US$
Retrocessionaires share of :		
Provision for unearned premiums and unexpired risks (Note 27)	7,416,752	6,592,846
Notified outstanding claims (Note 26)	27,113,166	5,537,940
Incurred but not reported (Note 26)	5,071,363	2,909,459
	39,601,281	15,040,245

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 OTHER RECEIVABLES

	2015 US$	2014 US$
Receivable from Retakaful window	1,342,497	703,489
Staff receivables	953,212	1,373,577
Prepayments	473,380	331,839
Deposits	32,906	28,785
Rent receivable	418,804	465,808
Others	626,531	298,751
	3,847,330	3,202,249

17 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 as shown below:

	2015 US$	2014 US$
At 1 January	13,831,969	11,163,940
Increase during the year	1,180,161	2,668,029
At 31 December	15,012,130	13,831,969

18 GOVERNMENT SECURITIES - HELD TO MATURITY

(i) Treasury bonds & bills maturing:

	2015 US$	2014 US$
• Within 6 months	7,397,562	2,792,515
• In 6 months to 1 year	24,902,459	-
• In 1 to 5 years	3,768,044	744,667
• After 5 years	1,599,790	1,079,520
	37,667,855	4,616,702

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 GOVERNMENT SECURITIES - HELD TO MATURITY

(ii) Government Loans & Receivables maturing:

	2015 US$	2014 US$
• In 6 months to 1 year	14,892,373	-
• After 5 years	5,078,008	5,220,473
At 31 December	19,970,381	5,220,473
Analysis by currency denomination:		
Securities in US Dollars	30,574,331	7,174,239
Securities in Kenya Shillings	25,717,476	1,219,568
Securities in Sudanese Pounds	1,346,429	1,443,368
	57,638,236	9,837,175

19 OFFSHORE INVESTMENTS – AVAILABLE FOR SALE

	2015 US$	2014 US$
Discretionary fund	5,288,520	5,397,803
Wealth fund	3,217,091	3,325,610
	8,505,611	8,723,413
Movement		
At 1 January	8,723,413	8,509,940
Fair value gain (Note 24(i))	(217,802)	213,473
At 31 December	8,505,611	8,723,413

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 DEPOSITS WITH FINANCIAL INSTITUTIONS

	2015 US$	2014 US$
Analysis by currency denomination:		
Deposits in United States Dollars	92,618,508	113,912,683
Deposits in Kenya Shillings	15,229,642	16,887,630
Deposits in Sudanese Pound	3,873,124	222,329
Deposits in Zambian Kwacha	1,203,571	3,381,045
Deposits in Rwandese Francs	306,069	334,747
Deposits in Ethiopian Birr	1,186,349	-
	114,417,263	134,738,434

	2015 US$	2014 US$
Maturity analysis:		
Within 3 months of placement	44,371,095	41,642,595
After 3 months of placement	70,046,168	93,095,839
	114,417,263	134,738,434

Deposits with financial institutions have an average maturity of 3 to 12 months (2014: 3 to 12 months).

21 CASH AND BANK BALANCES

	2015 US$	2014 US$
Analysis by currency denomination::		
United States Dollars	529,124	512,030
Kenya Shillings	122,071	122,724
Sudanese Pound	182,192	1,335,829
Zambian Kwacha	81,582	34,088
CFA	265,160	353,446
Malawi Kwacha	5,447	1,593
Ethiopian Birr	212,529	-
Others	31,206	11,239
	1,429,311	2,370,949

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:

	2015 %	2014 %
Government securities		
Securities in Kenya Shillings	15.3	13.2
Securities in Sudanese Pound	18.1	11.5
Securities in United States Dollars	6.0	6.2
Deposits with financial institutions		
Deposits in United States Dollars	4.1	4.6
Deposits in Kenya Shillings	11.4	11.0
Deposits in Sudanese Pound	7.0	9.9
Deposits in Zambian Kwacha	12.3	13.4
Deposits in Rwandese Francs	8.6	13.1
Available for Sale Offshore investments		
Investments in United States Dollars	(2.5)	2.8

23 ISSUED CAPITAL

(i) Issued capital

	2015 US$	2014 US$
Ordinary shares of US$ 1 each:		
Share capital	52,733,095	49,599,064
Share premium	35,257,209	24,758,207
Paid up capital	87,990,304	74,357,271

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23 ISSUED CAPITAL

(ii) Paid up shares

	No of shares	Share capital	Share premium
		US$	US$
Ordinary shares of US$ 1 each:			
At 1 January 2014	42,268,284	42,268,284	11,682,765
Issue of shares	7,112,419	7,112,419	12,474,950
Dividends capitalised	218,361	218,361	600,492
At 31 December 2014	49,599,064	49,599,064	24,758,207
At 1 January 2015	49,599,064	49,599,064	24,758,207
Issue of shares	2,944,343	2,944,343	9,863,547
Dividends capitalised	189,688	189,688	635,455
At 31 December 2015	52,733,095	52,733,095	35,257,209

	2015	2014
	US$	US$
(iii) Weighted average number of shares (Note 7)	50,262,699	47,460,235

24 RESERVES

	2015	2014
	US$	US$
Available for sale investments revaluation reserve (Note 24 (i))	535,878	4,038,013
Property revaluation reserve (Note 24 (ii))	368,384	348,608
Investment in Affiliated Companies revaluation reserve	100,000	-
	1,004,262	4,386,621

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 RESERVES (Continued)

(i) Available for sale fair value reserve - Quoted shares

	2015 US$	2014 US$
At 1 January	4,038,013	2,099,298
Revaluation gain/(Loss)	(1,532,515)	2,380,180
Realised on disposal of shares (Note 4)	(403,142)	(126,975)
Net revaluation gain/(loss) (Note 12)	(1,935,657)	2,253,205
Exchange difference on revaluation (Note 12)	(1,348,676)	(527,963)
Revaluation gain/(loss) on offshore investments (Note 19)	(217,802)	213,473
At 31 December	535,878	4,038,013

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.

The Company reviews the status of the investment portfolio regularly to assess impairment. In determining whether an impairment loss should be recognized in profit or loss, the company checks whether there is objective evidence that the assets are impaired and that the fair values have declined irreversibly. At 31 December 2015 and 31 December 2014, none of the shares have been determined by the Directors' to bear a permanent impairment hence no losses have been recognised in profit or loss.

(ii) Property revaluation reserve – Buildings

	2015 US$	2014 US$
At 1 January	348,608	315,168
Revaluation (deficit)/surplus (Note 9)	(2,677)	11,211
Depreciation written back on revaluation (Note 9)	22,453	22,229
Net gain on revaluation of property	19,776	33,440
At 31 December	368,384	348,608

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.

This reserve is not available for distribution.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 RESERVES (CONTINUED)

(iii) Investment in affiliated Companies revaluation reserve

This relates to valuation gains or losses in investments in affiliated Companies. During the year, an impairment loss of USD 100,000 in the investment in African Trade Insurance Agency was reversed through the revaluation reserve.

25 RETAINED EARNINGS

	2015 US$	2014 US$
Retained earnings	80,688,538	64,842,893
The movement in retained earnings is as follows:		
At 1 January	64,842,893	49,363,350
Dividend declared (Note 32)	(4,115,300)	(3,226,200)
Profit for year	19,960,945	18,705,743
At 31 December	80,688,538	64,842,893

In 2015, a dividend of US$ 0.0830 per share amounting to US$ 4,115,300 was declared to holders of fully paid ordinary shares. In 2014 the dividend of US$ 3,226,200 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 2015 the unrealised fair value gains on revaluation of investment properties amounted to US$6,482,975 (2014: US$6,504,408).

26 REINSURANCE CONTRACT LIABILITIES

	2015 US$	2014 US$
Reinsurance contracts		
- claims reported and claims handling expenses	59,731,954	38,500,517
- claims incurred but not reported	21,664,606	17,794,756
Total reinsurance liabilities	81,396,560	56,295,273

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 REINSURANCE CONTRACT LIABILITIES (CONTINUED)

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.

	2015			2014		
	Gross	Retrocessions	Net	Gross	Retrocessions	Net
	US$	US$	US$	US$	US$	US$
Outstanding claims	59,731,954	(27,113,166)	32,618,788	38,500,517	(5,537,940)	32,962,577
IBNR	21,664,606	(5,071,363)	16,593,243	17,794,756	(2,909,459)	14,885,297
Total outstanding claims	81,396,560	(32,184,529)	49,212,031	56,295,273	(8,447,399)	47,847,874

The Company's outstanding claims and IBNR were reviewed by an independent actuary; Actuarial Services (EA) Limited, registered Actuaries as at 31 December 2015.

For the current year, the company's actuaries used a combination of the chain ladder and the Bournhuetter Fergusson ("B-F") methods to determine estimated claims. The chain-ladder method uses historical claim patterns to determine expected future ultimate claims from each year. The B-F Method uses both estimated loss ratios and claim development patterns to project the ultimate claims. The chain ladder was first used to determine initial claims losses with the B-F Method then applied to determine the ultimate claim losses from which the IBNR reserves were estimated.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27 PROVISION FOR UNEARNED PREMIUMS AND UNEXPIRED RISKS (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:

	2015 Gross US$	2015 Retrocessions US$	2015 Net US$	2014 Gross US$	2014 Retrocessions US$	2014 Net US$
At 1 January	41,404,712	(6,592,846)	34,811,866	33,177,356	(6,655,500)	26,521,856
Increase in the year:						
• Unearned premiums	6,783,260	(823,906)	5,959,354	9,458,697	62,654	9,521,351
• Foreign exchange gain	(3,253,146)	-	(3,253,146)	(1,231,341)	-	(1,231,341)
	3,530,114	(823,906)	2,706,208	8,227,356	62,654	8,290,010
At 31 December	44,934,826	(7,416,752)	37,518,074	41,404,712	(6,592,846)	34,811,866
		(Note 15)			(Note 15)	

28 DEFERRED INCOME

Deferred income represents the value of the Mombasa Road leasehold land at initial recognition. This land was granted to the company by the Kenya Government and is included in investment properties as disclosed in note 11. The amount is amortised to income over the lease term. The movement on the deferred income account during the year is as follows:

	2015 US$	2014 US$
Arising from Government grant		
- At 1 January and at 31 December	80,686	80,686
Accumulated amortisation:		
At 1 January	17,116	16,301
Credited to other income for the year	815	815
At 31 December	17,931	17,116
Carrying amount at 31 December	62,755	63,570

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:

	2015 US$	2014 US$
At 1 January	7,168,752	3,720,953
Increase/(Decrease) during the year	(1,703,787)	3,447,799
At 31 December	5,464,965	7,168,752

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:

	2015 US$	2014 US$
At 1 January	2,775,455	2,931,449
Increase/(Decrease) during the year	312,604	(155,994)
At 31 December	3,088,059	2,775,455

31 OTHER PAYABLES

	2015 US$	2014 US$
Rent deposits	349,995	331,894
Other liabilities	2,511,490	2,247,626
Leave pay provision	321,997	338,021
Provision for gratuity	1,382,180	721,008
	4,565,662	3,638,549

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32 DIVIDENDS PAYABLE

The movement in dividends payable is as follows:

	2015 US$	2014 US$
At 1 January	447,138	491,977
Final dividend declared	4,115,300	3,226,200
Dividend paid	(2,874,883)	(2,452,186)
Dividend capitalised	(825,143)	(818,853)
At 31 December	862,412	447,138

In respect of the current year, the Directors' propose that a dividend of US$ 4,500,000 (2014 - US$ 4,115,300) be paid to shareholders. This dividend is subject to approval of shareholders at the Annual General Meeting to be held on 27th May 2016 and has therefore not been recognised as a liability in these financial statements.

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:

	2015 US$	2014 US$
Property and equipment	782,000	956,900
Investment properties	14,500,000	14,850,000
	15,282,000	15,806,900

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	2015 US$	2014 US$
Gross earned premium:		
• Shareholders	14,707,854	14,281,372
Claims Paid		
• Shareholders	5,338,616	13,976,022

(ii) Directors' remuneration

	2015 US$	2014 US$
Directors' fees	88,800	55,300
Other emoluments paid (per diem)	50,000	60,000
	138,800	115,300

(iii) Key management remuneration

	2015 US$	2014 US$
Salaries and other short-term employment benefits	1,744,206	1,684,579
Gratuity	274,917	222,108
	2,019,123	1,906,687

(iv) Outstanding balances with related parties

	2015 US$	2014 US$
Premiums receivable from related parties	5,194,103	3,870,110
Staff car and other loans	953,212	1,373,577
	6,147,315	5,243,687

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35 CASH GENERATED FROM OPERATIONS

	Note	2015 US$	2014 US$
Profit for the year		19,960,945	18,705,743
Adjustments for:			
Gain/(loss) on disposal of property and equipment	9	-	(15,754)
Gain on sale of quoted shares	4	(403,142)	(126,975)
Fair value (gain)/loss on investment properties	4	21,433	(1,688,714)
Depreciation	9	152,257	163,001
Amortisation of intangible assets	10	43,959	43,959
Amortisation of deferred income	28	(815)	(815)
Changes in:			
Provision for unearned premiums and unexpired risks		3,530,114	9,073,050
Reinsurance contract liabilities		25,101,287	5,475,289
Deposits retained by ceding companies	14	(315,537)	1,077,194
Deposits retained on ceded reinsurance business		86,532	(304,975)
Deferred acquisition costs (DAC)	17	(1,180,161)	(2,668,029)
Receivables arising out of reinsurance arrangements		(4,572,006)	(5,448,398)
Retrocessionaires share of technical liabilities		(24,561,036)	100,961
Payables arising out of retrocession arrangements	29	(1,703,787)	3,447,798
Deferred retrocession commission revenue (DRR)	30	312,604	(155,994)
Other receivables		(645,082)	(225,184)
Other payables		927,113	(255,381)
Net cash generated from operating activities		16,754,678	27,196,776

36 CASH AND CASH EQUIVALENTS

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

	2015 US$	2014 US$
Cash and bank balances	1,429,311	2,370,949
Deposits with financial institutions maturing within 3 months (note 20)	44,371,095	41,642,595
	45,800,406	44,013,544

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 OPERATING LEASE COMMITMENTS

Net rental income earned during the year was US$ 1,237,601 (2014: US$ 1,236,649). At the end of the reporting period, the company had contracted with tenants for the following future lease receivables:

	2015 US$	2014 US$
Not later one year	6,623	56,113
Later than 1 year but not later than 5 years	3,058,446	5,375,347
More than 5 years	-	11,715
	3,065,069	5,443,175

Leases are for a period of six years.

38 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Impairment losses

At the end of each reporting 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.

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.

Other areas of judgement

Management exercises critical judgment in determining the classification of debt and equity instruments and considers the substance of the contractual terms of the instrument.

39 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

39 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(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.

Frequency and severity of claims

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 endeavoured 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.

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.

Sources of uncertainty in the estimation of future claim payments

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected recoveries. The company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The liability for these contracts comprise a provision for IBNR, a provision for reported claims not yet paid and a provision for unexpired risks at the end of the reporting period.

In estimating the liability for the cost of reported claims not yet paid, the company considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. The main assumption underlying this technique is that the company's past claims development experience be used to project future claims development and hence ultimate claims costs.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

39 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(i) Reinsurance risk (Continued)

Concentration risk

At 31 December 2015

		Maximum insured loss			
Class of business		US$ 0m - 0.25m	US$ 0.25m - 1m	US$ Over 1m	US$ Total
Property	Gross	86,953,469	288,384,088	3,840,077,548	4,215,415,105
	Net	81,133,891	239,585,768	1,666,584,705	1,987,304,364
Casualty	Gross	51,285,276	130,362,279	189,167,617	370,815,172
	Net	51,028,044	125,455,305	126,102,977	302,586,326
Motor	Gross	27,925,254	50,848,164	12,960,920	91,734,338
	Net	26,974,118	34,978,236	6,198,752	68,151,106
Marine	Gross	39,591,318	46,624,652	148,616,224	234,832,194
	Net	39,339,609	42,800,360	64,758,656	146,898,625
Aviation	Gross	2,329,439	3,391,177	5,940,000	11,660,616
	Net	2,194,064	3,391,177	-	5,585,241
Life assurance business	Gross	7,089,178	785,000	2,563,569	10,437,747
	Net	6,910,554	785,000	64,089	7,759,643
Medical	Gross	706,703	1,759,015	-	2,465,718
	Net	706,703	1,759,015	-	2,465,718
Total	**Gross**	**215,880,637**	**522,154,375**	**4,199,325,878**	**4,937,360,890**
	Net	**208,286,983**	**448,754,861**	**1,863,709,179**	**2,520,751,023**

At 31 December 2014

		Maximum insured loss			
Class of business		US$ 0m - 0.25m	US$ 0.25m - 1m	US$ Over 1m	US$ Total
Property	Gross	81,595,614	301,459,069	3,670,802,619	4,053,857,302
	Net	79,999,991	268,781,109	1,766,593,000	2,115,374,100
Casualty	Gross	74,451,616	175,379,363	177,778,455	427,609,434
	Net	73,521,493	159,714,545	107,228,246	340,464,284
Motor	Gross	21,342,688	31,267,812	8,816,539	61,427,039
	Net	20,999,722	26,940,556	2,974,063	50,914,341
Marine	Gross	44,235,225	70,216,267	101,458,090	215,909,582
	Net	43,923,898	66,008,210	35,109,914	145,042,022
Aviation	Gross	1,983,230	3,347,631	-	5,330,861
	Net	1,983,230	3,347,631	-	5,330,861
Life assurance business	Gross	7,390,276	1,459,218	2,766,980	11,616,474
	Net	7,366,220	1,303,602	69,174	8,738,996
Total	**Gross**	**230,998,649**	**583,129,361**	**3,961,622,683**	**4,775,750,693**
	Net	**227,794,554**	**526,095,653**	**1,911,974,397**	**2,665,864,604**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

39 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(i) Reinsurance risk (Continued)

Concentration risk (Continued)

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

Class	2015 Limit (US$)	2014 Limit (US$)
Fire/Engineering risk & Cat XL	72,500,000 in excess of 2,500,000	48,000,000 in excess of 2,000,000
Accident and Motor	2,000,000 in excess of 1,000,000	2,000,000 in excess of 1,000,000
Marine & Energy XL	5,000,000 in excess of 1,000,000	5,250,000 in excess of 750,000

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

(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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

39 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(ii) Financial risk (Continued)

(a) Credit risk (Continued)

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.

Maximum exposure to credit risk before collateral held:

31December 2015	Fully functioning US$	Past due but not impaired US$	Past due and impaired US$
Deposits retained by ceding companies	3,861,244	-	-
Retrocessionaires share of technical liabilities	39,601,281	-	-
Other receivables (excluding prepayments) (note 16)	3,373,950	-	-
Receivables arising out of reinsurance arrangements	17,092,090	4,713,292	4,813,658
Government securities held to maturity (note 18)	57,638,236	-	-
Offshore investments (note 19)	8,505,611	-	-
Deposits with financial institutions (note 20)	114,417,263	-	-
Bank balances (note 21)	1,429,311	-	-
Gross financial assets	245,918,986	4,713,292	4,813,658

NOTES TO THE FINANCIAL STATEMENTS (Continued)

39 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(ii) Financial risk (Continued)

(a) Credit risk (Continued)

31 December 2014	Fully functioning	Past due but not impaired	Past due and impaired
	US$	US$	US$
Deposits retained by ceding companies	3,545,707	-	-
Retrocessionaires share of technical liabilities	15,040,245	-	-
Other receivables (excluding prepayments) (note 16)	3,202,249	-	-
Receivables arising out of reinsurance arrangements	13,725,815	4,029,529	4,291,690
Government securities held to maturity (note 18)	9,837,175	-	-
Offshore investments (note 19)	8,723,413	-	-
Deposits with financial institutions (note 20)	134,738,434	-	-
Bank balances (note 21)	2,370,949	-	-
Gross financial assets	191,183,987	4,029,529	4,291,690

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:

	2015	2014
	US$	US$
Neither past due nor impaired:		
-up to 90 days	11,088,268	8,000,661
-up to 91 to 120 days	1,457,128	(263,059)
-up to 121 to 270 days	6,891,813	8,021,140
-up to 271 to 360 days	2,468,539	2,258,763
Past due but not impaired – over 360 days	4,713,292	4,029,529
Impaired	4,813,658	4,291,690
	31,432,698	26,338,724
Less provision for impairment	(4,813,658)	(4,291,690)
Total	26,619,040	22,047,034

NOTES TO THE FINANCIAL STATEMENTS (Continued)

39 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(ii) Financial risk (Continued)

(a) Credit risk (Continued)

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

(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.

At 31 December 2015 if interest rates on government securities had been 10% higher/lower with all other variables held constant, profit for the year would have been US$ 252,113 (2014: US$ 134,453) lower/higher.

At 31 December 2015 if interest rates on deposits with financial institutions had been 10% higher/lower with all other variables held constant, profit for the year would have been US$ 717,137 (2014: US$ 612,413) lower/higher.

Note 22 discloses the weighted average interest rate on principal interest bearing investments.

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 2015, 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$ 741,623 (2014: US$ 963,103) higher/lower, and equity would have been US$ 741,623 (2014: US$963,103) higher/lower.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

39 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(ii) Financial risk (Continued)

(b) Market risks (Continued)

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 2015, 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$ 1,875,902 higher/lower (2014: US$58,750 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 9.95% (2014: 0.37%) of the company's net assets.

At 31 December 2015, if the US dollar had weakened/strengthened by 10% against the Nepalese Rupee with all other variables held constant, the net assets for the year would have been US$ 653,088 (2014: US$ 483,453) higher/lower mainly as a result of Nepalese Rupee denominated deposits, receivables and payables. This is not significant as the portion of Nepalese Rupee denominated net assets constitute 4.10% (2014: 3.05%).

At 31 December 2015, 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$ 438,939 (2014: US$ 302,611) higher/lower, mainly as a result of Sudanese Pound denominated investments, receivables and payables.

The company had significant foreign currency positions at 31 December as per the table overleaf (all amounts expressed in US Dollars).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

39 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(ii) Financial risk (Continued)

(b) Market risks (Continued)

Currency risk (Continued)

At 31 December 2015		NPR	KES	SDG	UGX	TZS	RWF	ETB	ZMW	Others	Total
Assets	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**
Investment properties	18,888,529	-	-	-	-	-	-	-	-	-	18,888,529
Available-for-sale equity investments	-	-	8,993,774	-	-	-	310,891	-	-	-	9,304,665
Investment in Affiliated companies	7,744,001	-	-	-	799,877	1,432,259	-	-	-	-	9,976,137
Receivables arising out of reinsurance arrangements	5,074,783	944,293	5,019,387	3,950,470	1,955,473	909,183	597,054	5,586,370	684,581	1,897,446	26,619,040
Retrocessionaires share of technical liabilities	39,601,280	-	-	-	-	-	-	-	-	-	39,601,280
Deposits retained by ceding companies	3,861,244	-	-	-	-	-	-	-	-	-	3,861,244
Deferred acquisition costs	15,012,130	-	-	-	-	-	-	-	-	-	15,012,130
Government securities held to maturity	30,574,331	-	25,717,476	1,346,429	-	-	-	-	-	-	57,638,236
Available for sale offshore investments	8,505,611	-	-	-	-	-	-	-	-	-	8,505,611
Deposits with financial institutions	92,618,508	-	15,229,642	3,873,124	-	-	306,069	1,186,349	1,203,571	-	114,417,263
Cash and bank balances	529,124	-	122,071	182,196	1,887	6	22,809	212,529	81,582	277,107	1,429,311
Total	**222,409,541**	**944,293**	**55,082,350**	**9,352,219**	**2,757,237**	**2,341,448**	**1,236,823**	**6,985,248**	**1,969,734**	**2,174,553**	**305,253,446**
Liabilities											
Reinsurance contract liabilities	29,323,233	4,682,400	21,112,963	2,575,961	2,164,339	2,701,781	1,028,669	3,093,463	838,033	13,875,718	81,396,560
Payables arising from retrocession arrangements	5,464,965	-	-	-	-	-	-	-	-	-	5,464,965
Deposits retained on ceded reinsurance business	438,116	-	-	-	-	-	-	-	-	-	438,116
Unearned premium reserves	6,705,844	2,139,682	17,086,270	2,825,810	2,312,883	1,847,940	876,814	2,262,097	912,273	7,965,213	44,934,826
Deferred Retrocession Revenue	3,088,058	-	-	-	-	-	-	-	-	-	3,088,058
Total	**45,020,216**	**6,822,082**	**38,199,233**	**5,401,771**	**4,477,222**	**4,549,721**	**1,905,483**	**5,355,560**	**1,750,306**	**21,840,931**	**135,322,525**
Net financial position exposure	**177,389,325**	**(5,877,789)**	**16,883,117**	**3,950,448**	**(1,719,985)**	**(2,208,273)**	**(668,660)**	**1,629,688**	**219,428**	**(19,666,378)**	**169,930,921**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

39 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(ii) Financial risk (Continued)

(b) Market risks (Continued)

Currency risk (Continued)

At 31 December 2014		NPR	KES	SDG	UGX	TZS	RWF	ETB	ZMW	Others	Total
Assets	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$
Investment properties	18,681,887	-	-	-	-	-	-	-	-	-	18,681,887
Available-for-sale equity investments	-	-	11,562,028	-	-	-	476,763	-	-	-	12,038,791
Investment in Affiliated companies	7,903,158	-	-	-	799,877	1,432,259	-	-	-	-	10,135,294
Receivables arising out of reinsurance arrangements	4,236,660	283,983	3,950,147	3,109,259	1,457,025	768,431	595,297	5,226,624	854,992	1,564,616	22,047,034
Retrocessionaires share of technical liabilities	15,040,245	-	-	-	-	-	-	-	-	-	15,040,245
Deposits retained by ceding companies	3,545,707	-	-	-	-	-	-	-	-	-	3,545,707
Deferred acquisition costs	13,831,969	-	-	-	-	-	-	-	-	-	13,831,969
Government securities held to maturity	7,174,238	-	1,219,568	1,443,369	-	-	-	-	-	-	9,837,175
Deposits with financial institutions	113,912,682	-	16,887,630	222,329	-	-	334,747	-	3,381,046	-	134,738,434
Cash and bank balances	512,030	-	122,724	1,335,829	10	131	6,683	-	34,088	359,454	2,370,949
Total	**184,838,576**	**283,983**	**33,742,097**	**6,110,786**	**2,256,912**	**2,200,821**	**1,413,490**	**5,226,624**	**4,270,126**	**1,924,070**	**242,267,485**
Liabilities											
Reinsurance contract liabilities	12,976,349	2,814,536	17,390,022	1,215,427	2,208,204	3,279,916	1,118,204	2,839,059	1,029,619	11,423,937	56,295,273
Payables arising from retrocession arrangements	7,168,752	-	-	-	-	-	-	-	-	-	7,168,752
Deposits retained on ceded reinsurance business	351,584	-	-	-	-	-	-	-	-	-	351,584
Unearned premium reserves	6,245,682	1,820,525	15,823,321	2,171,859	1,949,236	2,208,741	881,307	2,358,219	1,544,800	6,401,022	41,404,712
Deferred Retrocession Revenue	2,775,455	-	-	-	-	-	-	-	-	-	2,775,455
Total	**29,517,822**	**4,635,061**	**33,213,343**	**3,387,286**	**4,157,440**	**5,488,657**	**1,999,511**	**5,197,278**	**2,574,419**	**17,824,959**	**107,995,776**
Net financial position exposure	**155,320,754**	**(4,351,078)**	**528,754**	**2,723,500**	**(1,900,528)**	**(3,287,836)**	**(586,021)**	**29,346**	**1,695,707**	**(15,900,889)**	**134,271,709**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

39 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(ii) Financial risk (Continued)

(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 2015:

	Total Amount 2015	No stated maturity	Contractual cash flows (undiscounted) 0-1 yr	1-2 yrs	2-3 yrs	3-4 yrs	> 5 yrs
Financial assets:	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**
Available-for-sale equity investments	9,304,665	9,304,665	-	-	-	-	-
Receivables arising out of reinsurance arrangements	26,619,040	-	26,619,040	-	-	-	-
Deposits retained by ceding companies	3,861,244	-	3,861,244	-	-	-	-
Retrocessionaires share of technical liabilities	39,601,281	-	39,601,281	-	-	-	-
Differed Acquisition Cost	15,012,130	-	15,012,130	-	-	-	-
Government securities held to maturity	57,638,236	-	47,192,394	3,768,044	-	-	6,677,798
Offshore investments	8,505,611	8,505,611	-	-	-	-	-
Deposits with financial institutions	114,417,263	-	94,096,515	-	995,730	-	19,325,018
Cash and bank balances	1,429,311	-	1,429,311	-	-	-	-
Total	**276,388,781**	**17,810,276**	**227,811,915**	**3,768,044**	**995,730**	**-**	**26,002,816**
Reinsurance liabilities:							
Reinsurance contract liabilities	81,396,560	-	81,396,560	-	-	-	-
Payables arising from retrocession arrangements	5,464,965	-	5,464,965	-	-	-	-
Deposits retained on ceded reinsurance business	438,116	-	438,116	-	-	-	-
Deferred retrocession revenue	3,088,059	-	3,088,059	-	-	-	-
Total	**90,387,700**	**-**	**90,387,700**	**-**	**-**	**-**	**-**
Net liquidity surplus	**186,001,081**	**17,810,276**	**137,424,215**	**3,768,044**	**995,730**	**-**	**26,002,816**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

39 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(ii) Financial risk (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 2014:

	Total Amount 2014	No stated maturity	Contractual cash flows (undiscounted)				
			0-1 yr	1-2 yrs	2-3 yrs	3-4 yrs	> 5 yrs
Financial assets:	US$	US$	US$	US$	US$	US$	US$
Available-for-sale equity investments	12,038,791	12,038,791	-	-	-	-	-
Receivables arising out of reinsurance arrangements	22,047,034	-	22,047,034	-	-	-	-
Deposits retained by ceding companies	3,545,707	-	3,545,707	-	-	-	-
Retrocessionaires share of technical liabilities	15,040,245	-	15,040,245	-	-	-	-
Differed Acquisition Cost	13,831,969	-	13,831,969	-	-	-	-
Government securities held to maturity	9,837,175	-	2,792,825	-	750,157	-	6,294,193
Offshore investments	8,723,413	8,723,413	-	-	-	-	-
Deposits with financial institutions	134,738,434	-	112,640,523	1,559,807		995,726	19,542,378
Cash and bank balances	2,370,949	-	2,370,949	-	-	-	-
Total	222,400,769	20,762,204	172,269,252	1,559,807	750,157	995,726	25,836,571
Reinsurance liabilities:							
Reinsurance contract liabilities	56,295,273	-	56,295,273	-	-	-	-
Payables arising from retrocession arrangements	41,404,712	-	41,404,712	-	-	-	-
Deposits retained on ceded reinsurance business	351,584	-	351,584	-	-	-	-
Deferred retrocession revenue	2,775,455	-	2,775,455	-	-	-	-
Total	100,827,024	-	100,827,024	-	-	-	-
Net liquidity surplus	121,346,693	20,635,152	71,442,228	1,559,807	750,157	995,726	25,836,571

NOTES TO THE FINANCIAL STATEMENTS (Continued)

39 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(ii) Financial risk (Continued)

(c) Liquidity risk (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.The Directors' consider that the carrying amount of financial assets and financial liabilities recognised in the financial statements approximate 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 Securities 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.

Some of the Company's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used) as well as the analysis by level of the fair value hierarchy.

Financial assets/ liabilities	Fair value as at 31 December		Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2015 US$	2014 US$				
Available for sale - quoted equity investments	9,304,665	12,038,791	Level 1	Quoted bid prices in an active market	N/A	N/A
Available for sale – offshore investments	8,505,611	8,723,413	Level 1	Quoted bid prices in an active market	N/A	N/A

NOTES TO THE FINANCIAL STATEMENTS (Continued)

39 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(ii) Financial risk (Continued)

(c) Liquidity risk (Continued)

There were no transfers between levels 1and 2 in the period (2014: nil).
Reconciliation of level 3 fair value measurements

There were no financial assets or financial liabilities measured at fair value on level 3 fair value measurement (2014: nil)

At 31 December 2015

	Level 1	Level 2	Level 3	Total
Financial assets:				
Available-for-sale equity investments	9,304,665	-	-	9,304,665
Offshore investments	8,505,611	-	-	8,505,611
Total	17,810,276	-	-	17,810,276

At 31 December 2014

	Level 1	Level 2	Level 3	Total
Financial assets:				
Available-for-sale equity investments	12,038,791	-	-	12,038,791
Offshore investments	8,723,413	-	-	8,723,413
Total	20,762,204	-	-	20,762,204

40 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

40 CAPITAL MANAGEMENT (Continued)

(ii) Financial risk (Continued)

(c) Liquidity risk (Continued)

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:

	2015 US$	2014 US$
Share capital	52,733,095	49,599,064
Share premium	35,257,209	24,758,207
Property revaluation reserve	368,384	348,608
Available for sale fair value reserve	535,878	4,038,013
Investment in affiliated companies revaluation reserve	100,000	-
Retained earnings	80,688,538	64,842,893
Total capital – Equity	169,683,104	143,586,785

SUPPLEMENTARY INFORMATION

Revenue account for the year ended 31 December 2015

Appendix I

Class of insurance Business	Property	Casualty	Motor	Marine	Aviation	Life	Medical	Total
	US$	US$	US$	US$	US$	US$	US$	US$
Gross premiums written	69,649,944	25,490,425	9,503,985	11,317,715	349,576	9,381,443	13,062,859	138,755,947
Less: retrocession premiums	(17,565,338)	(1,400,671)	(179,184)	(1,405,091)	(104,880)	(1,865,432)	-	(22,520,596)
Net premiums written	52,084,606	24,089,754	9,324,801	9,912,624	244,696	7,516,011	13,062,859	116,235,351
Change in gross UPR	(2,753,118)	386,920	(102,685)	(67,769)	12,746	(518,450)	336,148	(2,706,208)
Exchange gains on revaluation of UPR	(1,389,867)	(825,946)	(44,265)	(295,718)	(9,827)	(201,117)	(486,406)	(3,253,146)
Net earned premiums	**47,941,621**	**23,650,728**	**9,177,851**	**9,549,137**	**247,615**	**6,796,444**	**12,912,601**	**110,275,997**
Gross claims paid	31,078,243	10,515,906	4,322,433	3,554,640	98,259	2,563,645	9,290,412	61,423,538
Change in gross outstanding claims	23,831,843	317,157	941,670	(90,453)	(111,851)	289,468	(76,549)	25,101,285
Exchange gains on revaluation of outstanding claims	1,823,027	533,003	962,409	316,671	26,925	19,923	-	3,681,958
Less: amounts recoverable from retrocessionaires	(29,363,417)	(136,259)	(795,304)	100,662	(1)	(225,773)	-	(30,420,092)
Net claims incurred	**27,369,696**	**11,229,807**	**5,431,208**	**3,881,520**	**13,332**	**2,647,263**	**9,213,863**	**59,786,689**
Commissions earned	(4,755,961)	(433,258)	(30,589)	(290,524)	502	(234,076)	-	(5,743,906)
Commissions expense	19,612,707	9,798,499	895,369	3,396,741	57,187	2,141,026	1,397,704	37,299,233
Charges and taxes	531,489	199,408	69,068	104,909	417	(17,677)	87,287	974,901
Expenses of management	4,520,888	1,654,551	616,891	734,618	22,691	608,938	847,893	9,006,470
Total expenses and commissions	**19,909,123**	**11,219,200**	**1,550,739**	**3,945,744**	**80,797**	**2,498,211**	**2,332,884**	**41,536,698**
Underwriting profit/(loss)	**662,802**	**1,201,721**	**2,195,904**	**1,721,873**	**153,486**	**1,650,970**	**1,365,854**	**8,952,610**
Key ratios:								
Loss ratio *(net claims incurred/net earned premium)*	57.1	47.5	59.2	40.6	5.4	39.0	71.4	54.2
Commissions ratio *(net commissions /net earned premium)*	31.0	39.6	9.4	32.5	23.3	28.1	10.8	28.6
Expense ratio *(management expenses/net earned premium)*	9.4	7.0	6.7	7.7	9.2	9.0	6.6	8.2
Combined ratio (underwriting outgo/net earned premium)	98.6	94.9	76.1	82.0	38.0	75.7	89.4	91.9

SUPPLEMENTARY INFORMATION (Continued)

Revenue account for the year ended 31 December 2014

Appendix II

Class of insurance Business	Property US$	Casualty US$	Motor US$	Marine US$	Aviation US$	Life US$	Medical US$	Total US$
Gross premiums written	59,405,783	26,251,026	8,335,567	10,763,867	306,961	7,078,538	13,295,276	125,437,018
Less: retrocession premiums	(15,369,008)	(1,319,886)	(224,836)	(1,149,187)	(26,482)	(1,459,164)	-	(19,548,563)
Net premiums written	44,036,775	24,931,140	8,110,731	9,614,680	280,479	5,619,374	13,295,276	105,888,455
Change in gross UPR	(2,992,291)	(1,877,447)	(192,979)	(306,682)	(28,575)	(345,995)	(2,546,041)	(8,290,010)
Exchange gains on revaluation of UPR	(551,588)	(446,630)	(13,032)	(132,680)	(3,556)	(83,855)	-	(1,231,341)
Net earned premiums	**40,492,896**	**22,607,063**	**7,904,720**	**9,175,318**	**248,348**	**5,189,524**	**10,749,235**	**96,367,104**
Gross claims paid	28,760,095	8,102,983	4,347,467	3,362,095	126,446	2,846,453	7,552,466	55,098,005
Change in gross outstanding claims	688,411	1,422,917	1,971,985	(124,449)	9,482	127,338	521,270	4,616,954
Exchange gains on revaluation of outstanding claims	836,088	210,512	412,883	163,029	14,157	7,572	-	1,644,241
Less: amounts recoverable from retrocessionaires	(8,653,233)	(497,836)	(221,199)	(36,725)	(22,021)	(738,140)	-	(10,169,154)
Net claims incurred	**21,631,361**	**9,238,576**	**6,511,136**	**3,363,950**	**128,064**	**2,243,223**	**8,073,736**	**51,190,046**
Commissions earned	(4,944,563)	(336,313)	(19,653)	(316,592)	(15,156)	(251,532)	-	(5,883,809)
Commissions expense	17,268,271	7,541,424	851,757	3,200,684	66,497	1,537,427	2,450,346	32,916,406
Charges and taxes	455,834	296,353	80,017	110,790	1,500	(14,756)	123,014	1,052,752
Expenses of management	4,066,460	1,796,942	570,588	736,811	21,012	484,542	910,092	8,586,447
Total expenses and commissions	**16,846,002**	**9,298,406**	**1,482,709**	**3,731,693**	**73,853**	**1,755,681**	**3,483,452**	**36,671,796**
Underwriting profit/(loss)	**2,015,533**	**4,070,081**	**(89,125)**	**2,079,675**	**46,431**	**1,190,620**	**(807,953)**	**8,505,262**
Key ratios:								
Loss ratio *(net claims incurred/net earned premium)*	53.4	40.9	82.4	36.7	51.6	43.2	75.1	53.1
Commissions ratio *(net commissions /net earned premium)*	30.4	31.9	10.5	31.4	20.7	24.8	22.8	28.1
Expense ratio *(management expenses/net earned premium)*	10.0	7.9	7.2	8.0	8.5	9.3	8.5	8.9
Combined ratio (underwriting outgo/net earned premium)	95.0	82.0	101.1	77.3	81.3	77.1	107.5	91.2

SUPPLEMENTARY INFORMATION (Continued)

Schedule of Membership

Country/ institution	Shareholder	2015 Shareholding US$	%	2014 Shareholding US$	%
Burundi	SOCABU	392,291	0.74	392,291	0.79
	Assurances BICOR	240,644	0.46	235,982	0.48
Kenya	Kenya Reinsurance Corporation Ltd	10,485,693	19.88	7,656,293	15.46
	Government of Kenya	492,417	0.93	492,417	0.99
	Blue Shield Insurance Company Ltd	372,953	0.71	372,953	0.75
	Mayfair Insurance Company Ltd	700,000	1.33	700,000	1.41
	Apollo Insurance Company Ltd	124,984	0.24	124,984	0.25
Mauritius	Government of Mauritius	261,161	0.50	261,161	0.53
Mozambique	EMOSE	371,562	0.70	364,588	0.74
Rwanda	Government of Rwanda	3,580,013	6.79	3,510,658	7.08
	SONARWA	144,322	0.27	144,322	0.29
	SORAS	516,673	0.98	516,673	1.04
Sudan	Government of Sudan	2,132,342	4.04	2,091,015	4.22
	United Insurance Company Ltd	482,762	0.92	473,396	0.95
	Sheikan Ins. & Reins. Ltd	396,926	0.75	389,237	0.78
	Juba Insurance Company Ltd	382,545	0.73	375,127	0.76
Tanzania	National Insurance Corporation (T) Ltd	2,005,904	3.80	2,005,904	4.04
	ZIC	130,215	0.25	127,670	0.26
PPF	PPF	2,397,553	4.55	2,397,553	4.83
Uganda	National Insurance Corporation (U) Ltd	127,663	0.24	127,663	0.26
	Lion Assurance of Uganda Ltd	113,845	0.22	113,845	0.23
	Statewide Insurance Company Ltd	228,675	0.43	228,675	0.46
Zambia	ZSIC Ltd	646,147	1.23	646,147	1.30
	Government of Zambia	1,478,508	2.80	1,478,508	2.98
	ZSIC – Pension Trust	1,409,807	2.67	1,409,807	2.84
COMESA	PTA Bank	5,754,498	10.91	5,754,498	11.60
	COMESA Secretariat	376,453	0.71	369,160	0.74
Zimbabwe	Baobab Reinsurance Company Ltd	488,397	0.93	488,397	0.98
Madagascar	CMAR (NY Havana)	245,244	0.47	245,244	0.49
D.R. Congo	SociétéNationaled'Assurances (SA)	168,267	0.32	165,005	0.33
Eritrea	NICE	1,201,109	2.28	1,086,166	2.19
Djibouti	Government of Djibouti	1,837,544	3.48	1,817,129	3.66
	Amerga	480,004	0.91	470,623	0.95
	GXA	266,237	0.50	266,237	0.54
AfDB	African Development Bank	7,277,029	13.80	7,277,029	14.67
DEG	DEG	5,022,708	9.52	5,022,708	10.13
Total		**52,733,095**	**100.00**	**49,599,064**	**100.00**

Key:

SOCABU	=	Sociétéd' 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	=	Zambia State Insurance Corporation
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
DEG	=	Deutsche Investitions- und Entwicklungsgesellschaft mbH

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