Jubilee
HOLDINGS

Live Free!

1937 - 2017
Life begins at 80!

Annual Report & Financial Statements 2016

"We shape our buildings; thereafter they shape us.."

Winston Churchill

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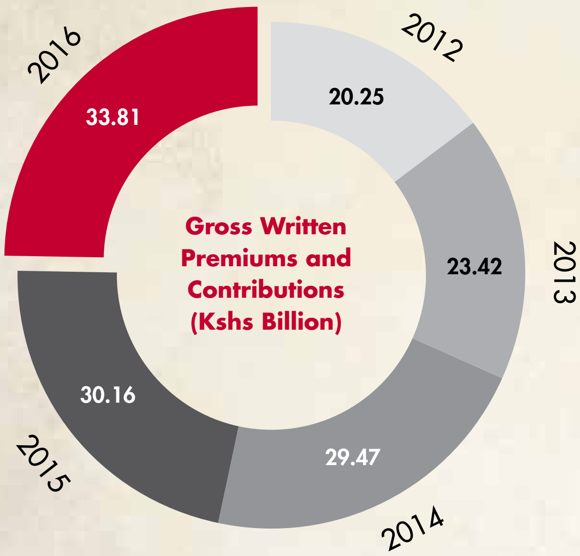
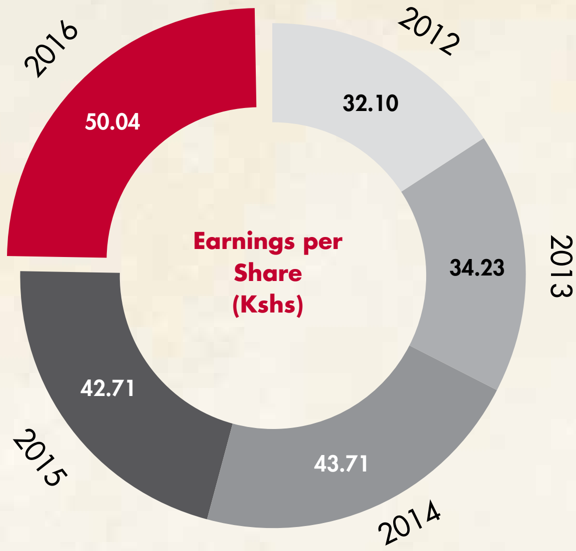
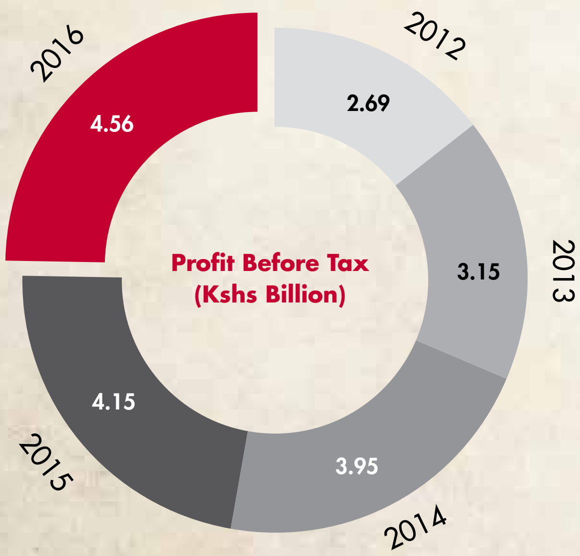


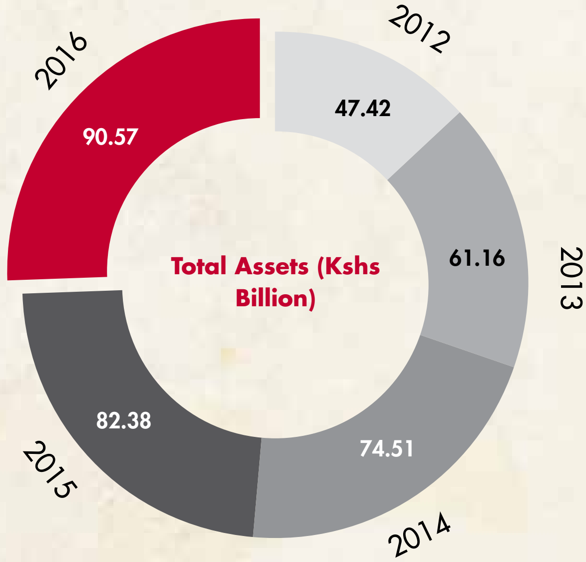
Gross Written Premiums and Contributions grew by 12% to Kshs 33.81 billion. This growth was mainly supported by the medical and life lines of business which grew by 16% and 44% respectively.



Earnings per share rose by 17% to Kshs 50.04 from Kshs 42.71. This is explained by the growth in the earnings attributable to equity holders over 2015.



Profit before tax grew by 10% to Kshs 4.56 billion attributed to growth in returns from the investments in associates and better returns to shareholders from the life business.



Total assets grew by 10% to Kshs 90.57 billion mainly as a result of increased funds generated by the business and growth in investments.

Capital and reserves	2016 Kshs' 000	2015 Kshs' 000
Authorised Capital	350,000	350,000
Issued Capital	329,423	329,423
Paid-up Capital	329,423	329,423
Retained Earnings	16,352,839	13,759,189

Registered Office

Jubilee Insurance House
Wabera Street
P O Box 30376–00100 GPO
Nairobi, Kenya
Telephone: 3281000
Telefax: 3281150
E-mail: jic@jubileekenya.com; Website: www.jubileeinsurance.com

Subsidiaries

The Jubilee Insurance Company of Kenya Limited (100%)
The Jubilee Insurance Company of Uganda Limited (65%)
Jubilee Life Insurance Company of Uganda Limited (65%)
The Jubilee Insurance Company of Tanzania Limited (51%)
Jubilee Life Insurance Corporation of Tanzania Limited (51%)
The Jubilee Insurance Company of Burundi S.A. (70%)
Jubilee Insurance (Mauritius) Limited (80%)
Jubilee Financial Services Limited (100%)
Jubilee Investments Company Limited (Uganda) (100%)
Jubilee Investments Tanzania Limited (100%)
Jubilee Investments Burundi Limited (100%)
Jubilee Center Burundi Limited (80%)

Associates

PDM (Holdings) Limited (37.1%)
IPS Cable Systems Limited (33.3%)
FCL Holdings Limited (30.0%)
IPS Power Investment Limited (27.0%)
Bujagali Holding Power Company Limited (25.0%)

Auditors

KPMG Kenya
ABC Towers, 8th Floor
ABC Place, Waiyaki Way
P. O. Box 40612
00100, Nairobi

Corporate Lawyers

Daly & Inamdar Advocates
ABC Towers, 6th Floor
ABC Place, Waiyaki Way
P.O. Box 40034
00100 Nairobi

Share Registrar

Jubilee Holdings Limited

Principal Bankers

Diamond Trust Bank Kenya Limited
Barclays Bank of Kenya Limited
Standard Chartered Bank Kenya Limited
Citibank N.A.
Diamond Trust Bank Uganda Limited
Diamond Trust Bank Tanzania Limited
Diamond Trust Bank Burundi Limited
Habib Bank Limited
Barclays Bank Pl

NOTICE IS HEREBY GIVEN that the 79TH ANNUAL GENERAL MEETING of the Shareholders will be held at the Nairobi Serena, Kenyatta Avenue, on Monday 22nd May 2017 at 11.00 am to conduct the following business:

1. To consider and, if thought fit, to adopt the audited consolidated financial statements for the year ended 31st December, 2016 together with the reports of the Chairman, Directors and Auditor thereon.

2. To confirm the payment of the interim dividend of Kshs. 1.00 per share made on 7th October 2016 and approve the payment of a final dividend of Kshs. 7.50 per share to be paid on or about 11th July, 2017 to Shareholders registered as at 22nd May 2017.

3. To elect the following Directors who retire by rotation in accordance with Article 85 of the Company's Articles of Association and who being eligible, offer themselves for re-election:

   a. Mr. Sultan Allana
   b. Mrs. Jane Mwangi
   c. Mr. Moez Jamal

4. In Accordance with the provisions of Section 769 of the Companies Act 2015, the following Directors being members of the Board Audit & Compliance Committee be confirmed to continue to serve as members of the said Committee:

   a. Mr. Zul Abdul
   b. Mr. Juma Kisaame
   c. Mr. John Metcalf

5. To approve the Directors' remuneration for the year ended 31st December 2016, as provided in the audited consolidated financial statements.

6. To note that the auditors, KPMG Kenya, will continue in office and to authorise the Directors to set their remuneration.

   SPECIAL BUSINESS

   To consider and, if thought fit, to pass the following resolutions which are proposed as Ordinary Resolutions:

7. **Increase in authorized share capital**
   "That pursuant to Article 39 of the Company's Articles of Association, the authorized share capital of the Company be increased from Kshs. 350 million divided into 70 million ordinary shares of Sh. 5 each to Kshs. 450 million divided into 90 million ordinary shares of Kshs. 5 each."

8. **Bonus Issue**
   "That pursuant to Article 128 of the Company's Articles of Association and subject to all regulatory approvals being obtained, retained profits amounting to Kshs. 32,942,250 be capitalized and the Directors be and are hereby authorized and directed to utilize such sums to the holders of ordinary shares as at 22nd May 2017 and to apply such sums on behalf of such holders in paying up in full at par 6,588,450 ordinary unissued shares in the capital of the Company such shares to be allotted and credited as fully paid up to and amongst such holders in the proportion of one (1) new ordinary share for every ten (10) ordinary shares held on 22nd May 2017 upon the terms that such new shares when issued shall not rank for dividend in respect of the year ended 31st December 2016, but shall rank, in all other aspects, paripassu with the existing ordinary shares of the Company and that the Directors be and are hereby authorized to do all acts required to give effect to this resolution and deal with fractions in such manner as they think fit subject always to the Articles of Association."

By Order of the Board

Margaret Muhuni-Kipchumba
Company Secretary
27 March 2017

Note:

1. A member entitled to attend and vote at this meeting may appoint a proxy to attend and vote on his/her behalf and such proxy need not be a member of the Company.

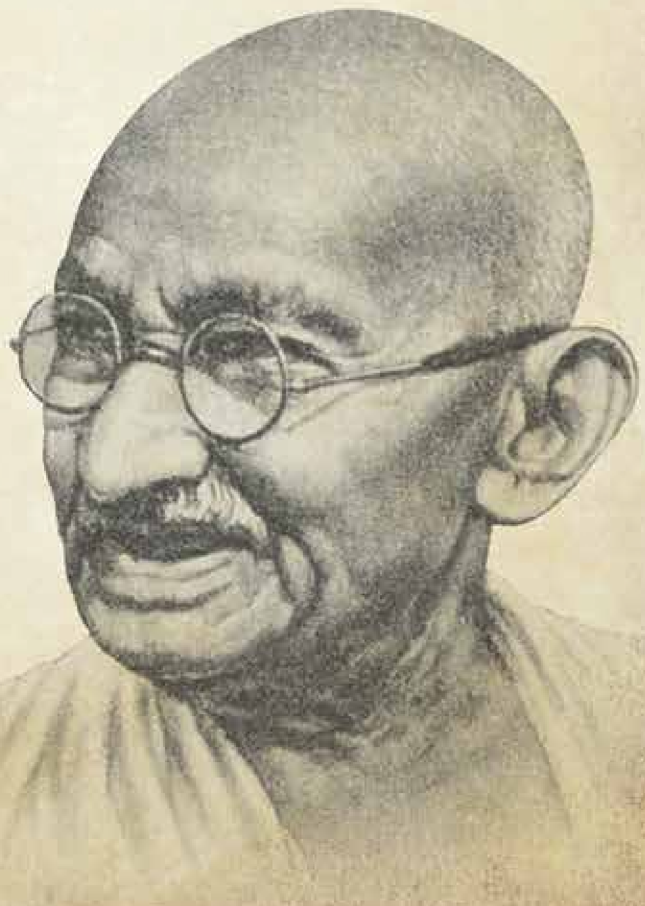
2. The proxy form can be downloaded from the Company's website **www.jubileeinsurance.com** or obtained from the Registered Office of the Company at Jubilee Insurance House 5th Floor, Wabera Street, Nairobi.

3. Completed proxy forms should be returned to the Company by delivery or by post to P.O. Box 30376 -00100 Nairobi to arrive later than 48 hours before the meeting.

Jubilee INSURANCE 80TH YEAR SINCE 1937

"Live as if you were to die tomorrow. Learn as if you were to live forever."

Mahatma Gandhi



Nizar Juma
CHAIRMAN

Sultan Allana

Lutaf Kassam

Jane Mwangi

John Metcalf

Board Audit and Compliance Commitee

Board Finance Commitee

Board Nominating and Human Resource Coammitee

Juma Kisaame

Shabir Abji

Margaret Kipchumba
COMPANY SECRETARY

Zul Abdul

Moez Jamal

Board IT Commitee

Board Property Commitee

Mr. Nizar Juma (73) Chairman

Mr. Juma is a Non-Executive Director and Chairman of Jubilee Holdings Limited and its subsidiaries having been first appointed in 2004. He is also the regional Chairman of the Industrial Promotion Services group of companies and is a Chairman and Director in various other private entities in the industrial and commercial sectors. Mr. Juma holds a BSc. (Econ) Joint Hons in Economics, Law & Accountancy from the University of Wales – Cardiff. He is a recipient of a number of national awards including the Award of the Silver Star of Kenya by H.E. The President of Kenya for outstanding service to the nation (1982) and was awarded The Life Time Achievement Award in the 2011 Insurance Industry Awards.

Mr. Sultan Ali Allana (57) Non-Executive Director

Mr. Sultan Ali Allana is a Director of the Aga Khan Fund for Economic Development (AKFED) and has the oversight responsibilities for AKFED's investments in Banking, Insurance and Aviation. Mr. Allana is a career banking professional with over 32 years of experience in retail, corporate and investment banking. Mr. Allana is also the Chairman of Habib Bank Limited, which is the largest bank in Pakistan with over 1,700 branches and with presence in over 20 countries around the world. Since 1997, Mr. Allana has also been serving as a Director of the Tourism Promotion Services Pakistan Limited, the owners and the operators of the Serena Hotels in Pakistan. Mr. Allana holds Undergraduate and Post Graduate degrees from McGill University and the University of Wisconsin in Engineering and Management.

Mr. Lutaf Kassam (63) Non-Executive Director

Mr. Kassam joined the Board in April 2006 and chairs its Finance Committee. Currently, he is the Group Managing Director of Industrial Promotion Services Limited (IPS) in East Africa. Mr. Kassam is responsible for AKFED's global portfolio on Industry and Infrastructure, and is a member of AKFED's Executive Committee. He is also a Director on the Board of Kenya Association of Manufacturers, the East African Business Council (EABC), and a Member of the Presidential Investors' Round Table (Advisory Board to President Museveni), an advisor to Sustainable Energy for All (SEALL), past First Vice Chairman of the Nairobi Stock Exchange (NSE) and a member of the National Economic and Social Council (NESC) in Kenya.

Mrs. Jane Mwangi (53) Non-Executive & Independent Director.

Mrs. Mwangi is the Managing Partner at Robson Harris & Co. Advocates. She has also worked at the Central Bank of Kenya, Deposit Protection Fund Board and the United Nations, Department of Oversight Services (OIOS). She is an Advocate of the High Court of Kenya with over twenty (20) years experience, a Notary Public, a Commissioner for Oaths and a member of the Chartered Institute of Arbitrators. She is an accredited Governance Auditor and a Certified Public Secretary. She holds a Master Degree in Business Law from the University of Nairobi and University of Hull, UK.

Mr. John Metcalf (57) Non-Executive Director

Mr. Metcalf was appointed to the Board in November 2006. He has extensive international experience in the insurance industry and is currently the Head of Insurance for the Aga Khan Fund for Economic Development. He is a Director on the Boards of the Company's insurance subsidiaries. Before joining the Company, he was the Executive Chairman of the Allianz Group Insurance subsidiaries in Egypt. Mr. Metcalf is a Fellow of the Chartered Insurance Institute and holds a BA (Hons) in Banking Insurance & Finance from Sheffield Hallam University.

Mr. Juma Kisaame (53) Non-Executive Director

Mr. Kisaame is currently the Managing Director of DFCU Bank Uganda and has over twenty years experience in the financial sector. He is a member of the Board Audit and Compliance Committee and Board IT Committee. He holds a Bachelors of Commerce degree majoring in Accounting from Makerere University and is an Alumni of the Advanced Management program at INSEAD, France. He has been a Director of Uganda Revenue Authority and Chairman of Uganda Investment Authority.

Mr. Shabir Abji (58) Non-Executive & Independent Director

Mr Abji assisted in the running of the family business, and in1984 set up the company operations in Uganda. As the Group Director, he was instrumental in setting up Uganda Oxygen, Twiga Chemical Industries Uganda, Service and Computer Industries Uganda (Formerly NCR) and American Communication and Technologies. Mr Abji has served as the Chairman of Aga Khan Health Services, Tanzania, a Councilor of the Confederation of Tanzania Industries and currently is the Chairman of Dar es Salaam Tourism Executive Board. He is also the Chairman of the Tanzania Asian Development Association in formation and has been involved in fund raising activities for various causes and is a member of the FAO sponsored Telefood Committee. Mr. Abji is the Chairman Board TI Commitee

Mrs. Margaret Kipchumba (43) Company Secretary

Mrs. Kipchumba was appointed Company Secretary of Jubilee Holdings Limited in June 2014 and also serves on the Boards of its subsidiaries in this capacity. She is an Advocate of the High Court of Kenya and a Certified Public Secretary. She is a Member of the Law Society of Kenya, the Institute of Certified Public Secretaries of Kenya and the Institute of Directors, Kenya.

Mr. Zul Abdul (64) Non-Executive & Independent Director

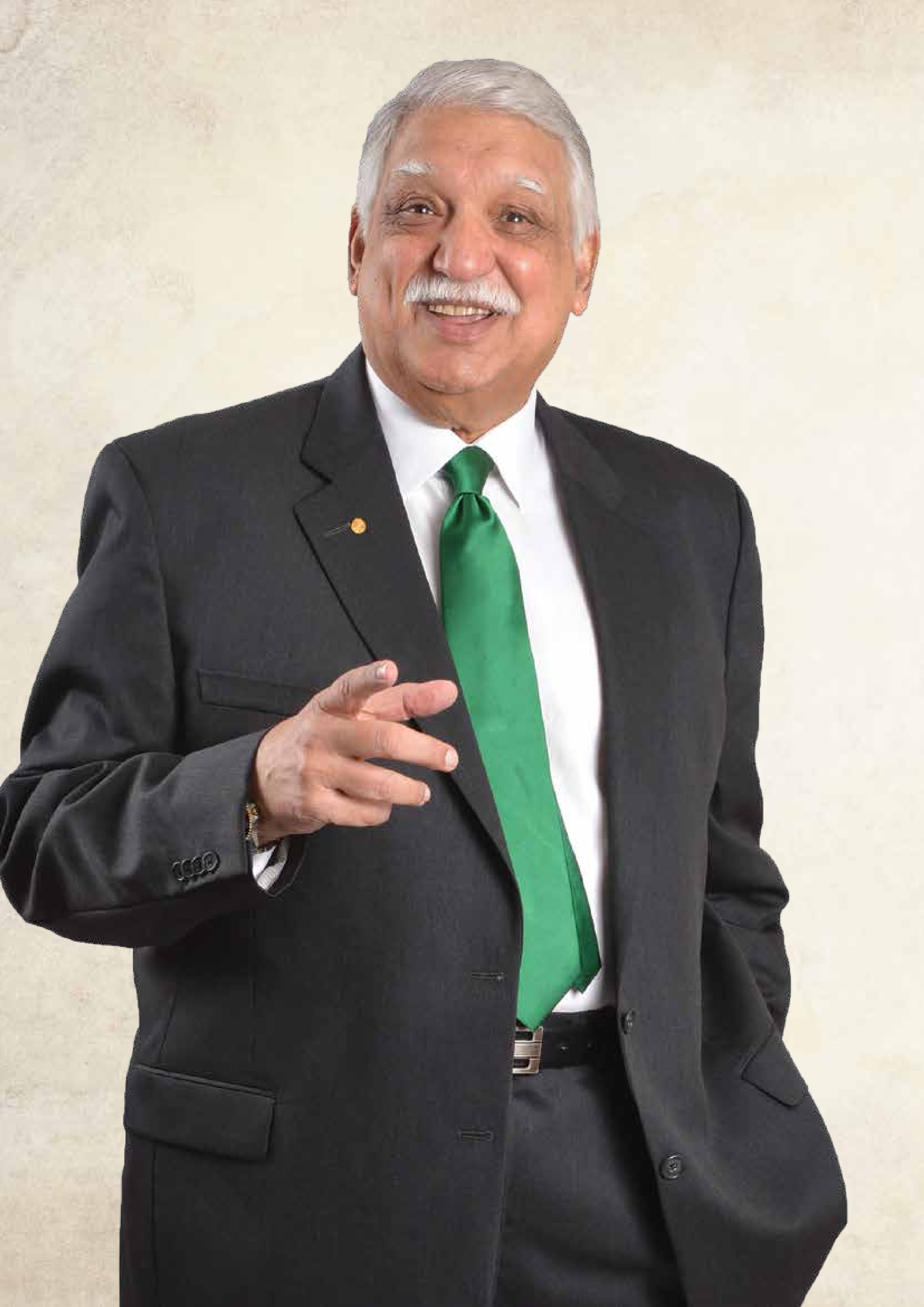
Mr. Abdul is the CEO, Trans-Orbit Kenya Limited. He has also held key leadership voluntary positions having served as the President of Aga Khan National Council in Kenya, the Chairman of Aga Khan Education Services, Chairman of the Jubilee Fund Limited, director of Anfield Holdings Ltd, a Property Development company and Executive Director of Wiggins Teape Ltd, an international company manufacturing and trading in paper. Mr. Abdul is the Chairman of the Board Audit & Compliance Committee.

Mr. Moez Jamal (61) - Non Executive & Independent Director

Mr. Jamal has had many years of experience at Senior Executive level at various financial institutions including Credit Suisse. He is also a Member of the Board of the Diamond Trust Bank (K) Limited, Habib Bank Limited Pakistan and Marcuard Family Office, Zurich. He holds a Bachelor of Arts degree in Economics, B.A. (Econ) from the University of Manchester, England and a Masters in Business Administration, Finance (MBA Finance) from the New York University.

"Success is no accident. It is hard work, perseverance, learning, studying, sacrifice and most of all, love of what you are doing or learning to do."

Pele



DEAR SHAREHOLDERS,

I am pleased to present Jubilee Holding Limited's (JHL) 2016 annual report and financial statements. On 3 August 2016, Jubilee Holdings Limited commenced its 80th year in business, having started operations in Mombasa, Kenya in 1937 with the vision to pool and manage business risks and improve the quality of life of members of the communities served by the company. From such modest beginnings, the Company has grown to become the largest insurance Group in East Africa, whose sustained growth over the decades and reputation as the most trusted insurer in the region has been built on our solid values and unyielding ethical practices, a strong and growing balance sheet and a commitment to fair settlement of claims. We are indeed very proud of these accomplishments and strive to continue to build on this solid foundation.

In 2016, Jubilee's track record of strong performance continued with growth in both the top and bottom line. The Gross Written Premium, including Deposit Administration contributions, grew by 12.1% to Kshs 33.8 billion, with strong contributions from all five territories in which Jubilee operates; Pre-tax profit grew by 10% to Kshs 4.6 billion, supported by a 14.6% increase in insurance results to Kshs 2 billion, and the Group's Profit after Tax grew by 17.8% to Kshs 3.68 billion. As a result, Jubilee has maintained its position as the largest composite insurer in East Africa for the eighth consecutive year and retained the No.1 position in Kenya, in Uganda and in Tanzania.

These excellent results were achieved against the backdrop of a difficult year for the insurance industry. The slowdown in some economies and unclear Government policy decisions was accompanied by tightening credit conditions and delays in new investment in infrastructure and other major projects. Appropriate pricing of risk by industry participants continues to be weak, and the drive to gain market share by a number of competitors resulted in severe rate cutting and subsequent significant underwriting losses. Rapid medical inflation continues to be a challenge to the delivery of cost effective medical insurance and healthcare to members. Despite these challenges, the Group was able to deploy strategies to increase its overall insurance result.

The Group's total assets increased by 9.9% from Kshs 82.4 billion to Kshs 90.6 billion, and total shareholders' equity and reserves increased 4.7% from Kshs 19.1 billion to Kshs 20 billion. On the investment front, the NSE 20 bear market continued into a second year with a 21% decline, resulting in significant fair value losses for the majority of insurance companies. Jubilee was able absorb declines in quoted securities due to the strategy in recent years to increase its holdings in Government bonds, real estate and projects that generate US dollar returns.

EAST AFRICA'S ECONOMY

The East African economy grew unevenly in 2016 with GDP growth ranging from 1.7% in Uganda to 6.2% in Tanzania in Q3 2016, with average growth of about 5.1% in Q3 for the region. All countries were faced with increasing inflation due to higher food prices caused by drought conditions and increase in the price of oil. The Kenyan economy grew by 5.7% during the third quarter of 2016, following a 6% growth in the same period last year. Economic prospects for 2017 and beyond remain strong, but tempered by higher inflation and tightening credit conditions.

INSURANCE INDUSTRY

Preliminary data shows that the insurance industry in Kenya grew by 9% in Non-Life and 19% in Life. Slower growth of 4% was recorded in Uganda for Non-Life but stronger growth of 32% in Life, and 10% for Non-Life in Tanzania. The regional insurance market continues to face numerous challenges including very low insurance penetration, high risk and incidence of fraud, and increased competition in already crowded markets, due to the arrival of new entrants, including an increasing number of global players.

Minimum capital requirements are expected to increase as Risk Based Capital (RBC) supervision, introduced in Kenya in 2015, is being considered in other jurisdictions in the region. Jubilee is well positioned to meet the requirements of increasingly strict solvency regimes across East Africa, which will be positive for both the industry and policyholder protection. Whilst the RBC requirements in Kenya were relaxed in 2016 to accommodate weaker companies, the Regulator has indicated a commitment to the development of the risk based framework to lead to a higher level of stability and consumer protection in the industry. All the Group's insurance subsidiaries across the region are well capitalized and the Kenyan Company is fully compliant with the Risk Based Capital framework with some of the highest Capital Adequacy Ratios in the industry.

In late 2016, the Kenya Government directed the enforcement of Section 20 of the Insurance Act that requires all importers to acquire marine cover from local insurers. Jubilee launched a Marine Portal in January 2017 and has taken measures to build capacity to comprehensively serve all the needs of this market segment.

Bancassurance continues to be a significant growth area for Jubilee in Kenya and regulations are being developed across East Africa where Jubilee has relations with some of the strongest banks in the region. In addition, we continue to invest heavily in technology to support our growth strategies, to develop new distribution channels and introduce innovative products for the on-going digital revolution in retail payment and growth in financial inclusion.

DIVIDEND

I am pleased to report that the your Board has recommended a cash dividend of 170% for the year 2016 (2015: 170%), on the share capital of Kshs 329.4 million. An interim dividend of 20% (Kshs 1.00 per share) was paid on 7th October 2016, and the Board is seeking approval for a final cash dividend of Kshs 7.50 per share. In addition, to commemorate the Group's 80th Anniversary celebrations, the Board recommends, for approval at the next Annual General Meeting, a bonus share issue of 1 share for every 10 shares held.

Even as the Nairobi Securities Exchange NSE 20 index fell by 21%, Jubilee Holding's share price remained above Sh 450 in 2016, and in fact appreciated slightly in the year, showing the investor confidence that the company continues to enjoy. Since listing in 1984, JHL has always declared dividends and has never declared a lower dividend than the previous year.

FINANCIAL RESULTS

The Gross Written Premium, including Deposit Administration contributions, grew by 12.1% to Kshs 33.8 billion, and Pre-tax profit grew by 10% to Kshs 4.6 billion, supported by a 14.6% increase in insurance results to Kshs 2 billion, and the Group's Profit after Tax grew by 17.8% to Kshs 3.68 billion.

MEDICAL INSURANCE

Medical insurance business achieved a strong growth in premiums of 16% to reach Kshs 11.61 billion (2015 – Kshs 10.03 billion). However, although Jubilee is one of the very few companies to consistently report positive operating results in medical insurance business in the region, the underwriting profit dropped to Kshs 152 million (2015 – Kshs 437 million) as a result of significantly higher claims costs driven by rapidly increasing medical inflation from increasing pharmaceutical costs, consulting fees, lab test fees and bed charges. Jubilee has engaged all the major providers to redevelop the medical insurance model in the region including increased use of affordable and equally effective generic drugs as opposed to branded, which consumes most of the medical cover offered to patients.

GENERAL INSURANCE

General insurance Gross Written Premium recorded growth of 4.5% in 2016 to reach Kshs 11 billion, even as several large infrastructure projects in the region were delayed. Jubilee was able to maintain underwriting profit at Kshs 618 million (2015 – Kshs 604 million) and a combined ratio at 90%, despite several large claims during the year and continued pressure on rates from our competitors.

LIFE INSURANCE AND PENSION

Life insurance business Gross Written Premium and Deposit Administration inflows registered a growth of 16.3% to Kshs 11.2 billion (2015 – Kshs 9.61 billion) supported by growth of 43.7% in Individual and Group Life across the region resulting from continued efforts to build stronger agency and other distribution channels.

CORPORATE SOCIAL RESPONSIBILITY

During the year under review, Jubilee Insurance continued to commit resources towards key Corporate Social Responsibility (CSR) initiatives that go towards supporting critical needs of the local communities, through partnerships with like-minded organizations, as well as implementing its trademark CSR projects. Jubilee Insurance continued the partnership of its staff participating in key impacting projects that include the Standard Chartered Marathon, Gertrude's Hospital Charity Golf Tournament, and Mater Heart Run which target health-related afflictions of blindness, provision of affordable children's hospital treatment and cardiac illness respectively.

As noted earlier, Jubilee Holdings Limited commenced its 80th year celebrations. To kick start the celebrations, the official 80th year logo had been launched and communicated to all Directors, Management and staff within the group. As part of its 80th anniversary celebrations, Jubilee Holdings has embarked on various activities to celebrate this milestone. JHL will host several medical camps in the region to cater to last mile medical interventions for the vulnerable in our society through provision of artificial limbs, ear and eye operations and will work with Aga Khan Hospital to provide cardiology and oncology services to those patients who need these services but cannot afford to pay for them. The company is also spearheading the Live Free painting competition, open to all government sponsored primary schools that will offer secondary school scholarships to pupils who produce outstanding paintings. JHL is also supporting the Blue Company Project, a strong initiative that aims to help stamp out corruption in the private sector.

MARKET PRESENCE AND RECOGNITION

Jubilee was very pleased to be recognized by the business community and the insurance industry for the excellence of our business practices by winning several awards. During 2016, Jubilee scooped 24 awards in total. Our major awards are listed on page 101 of this Annual Report.

OUTLOOK

Whilst the regional economy is expected to grow at around 6% in 2017, the business and regulatory environment is expected to remain challenging. Major local risks include uncertainty over sustainability of the recent turnaround in tourism, the duration and severity of the current drought and its effect on agriculture, inflation, and income levels, and delays in the development of energy, oil and gas and other infrastructure projects. The capping of lending rates in Kenya in late 2016 has reduced the interest rates at the short end of the yield curve, but has also significantly reduced availability of credit to SMEs that are the driving force of economic growth and employment in both the formal and informal sectors. The SMEs and informal sector of the economy are both seen as potential growth areas for the insurance industry.

We continue to be optimistic as we focus on our strategic goals to ensure that Jubilee continues to perform strongly in 2017 and generate sustainable and stable returns for our shareholders. We will continue to focus on appropriate risk selection and best management practices so as to balance our entrepreneurial approach to business opportunities whilst protecting profitability. Key strategic initiatives for 2017 include implementation of new and enhanced IT infrastructure and systems, increased presence in the emerging digital economy, redevelopment of a more sustainable medical insurance model, operational and process reengineering in all lines of business, product innovation and continued development of agency and bancassurance networks to drive our top line.

BOARD OF DIRECTORS

The Directors who held office in 2016 are listed on pages 6 to 8 of this report. As we continue to expand our horizons, the Board continues to reflect your Company's regional and growth related outlook, while drawing from the Company's Vision, Mission and Values which continue to steer your Company.

APPRECIATION

The contributions of Jubilee's various stakeholders have ensured that continued strong performance is achieved. These are none other than our business partners, intermediaries and customers. I would like to thank you for your continued support and loyalty, which have been instrumental in reinforcing Jubilee's position as the invincible market leader in Kenya and in East Africa.

I also thank all our staff across the region who continue to show dedication and provide superior service to our customers. I would also like to acknowledge with appreciation my colleagues in the Board and those on the Boards of the subsidiaries for their diligence, guidance and support that has ensured that we achieve superior and excellent results during the year.

Nizar Juma
Chairman

27th March 2017

"Experience is a truer guide than the words of others."

Leonardo Da Vinci

The Company views the application of good corporate governance practices as fundamental to achieving a healthy and sustainable return on investment for its shareholders while fulfilling its social mandate to improve the quality of life for all stakeholders. The Board of Directors therefore remains committed to upholding the tenets of good corporate governance and compliance with legislation, regulation and best practice in all jurisdictions it operates in.

In the year under review, the Capital Markets Authority (CMA) issued the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 ("Code") which replaced the 2002 Guidelines on Corporate Governance Practices by Public Listed Companies in Kenya. The Code sets out the principles and specific recommendations on structures and processes which companies should adopt in making good corporate governance an integral part of their business dealings and culture. The Board has reviewed the requirements under the Code and is committed to full application of the same as part of the work to continually strengthen governance practices in the Company.

BOARD OF DIRECTORS

Composition of the Board

The Company is led by an effective Board that provides strategic direction and has ultimate responsibility for the functioning of the Company. The Board currently comprises nine (9) Directors all of whom are non-executive and four (4) are independent. In determining the independence status of a Director, the Company has used the criteria set out in the Code. Notwithstanding a Director's non-executive or independence status on the Board, all Directors recognize that they are collectively responsible to the shareholders and stakeholders for the viable long-term sustainability of the Company. There are no alternate or shadow directors on the Board.

Appointments to the Board

All new appointments to the Board are coordinated by the Board Nominating and Human Resource Committee (BNHRC) which is mandated to evaluate all candidates nominated for directorship and make recommendations to the Board. The responsibility of appointing Directors rests with the full Board after considering the recommendations of the BNHRC. New directors appointed by the Board are required to retire at the next Annual General Meeting following their appointment and may offer themselves for re-election by shareholders. In accordance with the Articles of Association, at least one third of the Directors retire by rotation and seek re-election at each Annual General Meeting. In determining the Directors retiring by rotation, consideration is given to those who have been in office longest since their last election or appointment.

In the year under review, no new Directors were appointed. However, as announced at the last Annual General Meeting on 31st May 2016, two long serving Directors, Mr. Sultan Khimji and Dr. Ramadhani Dau retired from the Board. Mr. Khimji who was the longest serving member of the Board, having been appointed in 1998 requested to step down from the Board to enable him focus more attention on his personal businesses along with his principle occupation in the banking industry. Dr. Dau who joined the Board from 2006 also retired pursuant to his appointment as an Ambassador.

ROLE OF THE BOARD

The Board's primary responsibility is that of fostering the long-term business of the Company consistent with its fiduciary responsibility to the shareholders. The responsibilities of the Board are articulated in the Board Charter and include the following:

- define the Company's Mission, Vision and Values, its strategy, goals, risk, policies, plans and objectives;
- ensure effective accountability and stewardship of the Company's resources;
- oversee the corporate management and operations, management accounts, major capital expenditures and review corporate performance and strategies;
- identify the corporate business opportunities as well as principal risks in its operating environment including the implementation of appropriate measures;
- manage such risks or anticipated changes impacting on the business;
- ensure the efficient management of the Company and development of appropriate staffing and remuneration policy including the appointment of the Chief Executive;
- ensure that the Company has developed succession plans for its Directors and senior management;
- review on a regular basis the adequacy and integrity of the Company's internal controls, acquisitions and divestitures and management information systems;
- ensure that the Company complies with all relevant laws, regulations, rules and guidelines;
- establish and implement a system that provides necessary information to the shareholders;
- take into consideration the interests of the Company's stakeholders maintaining an effective disclosure and communication system with all stakeholders;
- approve the Company's annual budgets;
- ensure the Company has developed an effective Corporate Social Responsibility programme;
- regularly evaluate its performance and effectiveness as a whole and that of individual directors including the Chief Executive, the Company Secretary and the Chairman;
- monitor the adequacy and effectiveness of the Company's governance structures; and
- monitor and manage potential conflict of interest situations at management, Board and shareholder level.

Senior management attend Board Meetings by invitation to ensure informed and efficient decision-making by the Board of Directors. In addition, the Board invites independent professionals to attend meetings and provide opinions and advice as necessary.
During the year under review the Board met four (4) times:

Name	March	May	August	November
Nizar Juma	√	√	√	√
Sultan Allana	A	√	√	A
Lutaf Kassam	√	√	√	√
Juma Kisaame	√	√	√	√
John Metcalf	√	√	√	√
Shabir Abji	√	√	A	A
Jane Mwangi	A	√	√	√
Moez Jamal	√	√	√	√
Zul Abdul	√	√	√	√

***Key:** √ - Present A - Absent with apologies

SEPARATION OF THE ROLE OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Board Charter also stipulates a clear separation of the roles and responsibilities of the Chairman and the Chief Executive Officer. The Chairman's primary role is to direct the Board's business and act as its facilitator and guide, ensuring the Board is effective in its task of setting and implementing the Company's direction and strategy while the CEO is responsible for the day-to-day leadership of the Company's business affairs and ensures the execution of Board strategy. The separation of powers is to promote accountability and facilitate division of responsibilities as well as ensure a balance of power and authority such that no one individual has unfettered powers of decision making.

BOARD COMMITTEES

In order to effectively carry out its governance responsibilities, the Board has established the Committees listed below and delegated specific mandates to them. These committees operate under clearly articulated terms of reference which clarify their responsibilities and scope of authority. The Committees have unrestricted access to any information within the Company and are authorized by the Board to obtain independent professional advice to enable effective discharge their functions. All Committees report to the Board at each meeting highlighting matters discussed at their respective meetings and recommended actions. Notwithstanding the delegated authority to these committees, the Board remains fully responsible for the activities of the Committees.
The mandates of the Committees and their membership are summarized as follows:

Board Audit and Compliance Committee:

The key terms of reference include:

- oversight of the financial reporting process and internal accounting control systems;
- assessment of the adequacy and efficiency of the Internal Audit function, Internal Audit reports and recommendations therein;
- monitoring legislative and regulatory changes that impact on the Company's operations.
- monitoring the ethical conduct of the Directors and Management in line with standards set out in the various Codes of Ethics, review reports on violations with the Codes of Ethics and review complaints and reports generated from the whistle blowing facility.

The Members of the Committee are Mr. Zul Abdul (Chairman), Mr. Juma Kisaame and Mr. John Metcalf.

Board Nominating and Human Resource Committee:

This Committee reviews all new nominees to the Board and is mandated to assess the performance and effectiveness of Directors. The Committee also reviews and approves the Human Resource strategy in the Company.

The members are Mrs. Jane Mwangi (Chairperson), Mr. Nizar Juma and Mr. John Metcalf.

Board Finance Committee:

The Committee supervises the financial and investment business of the Company, and provides guidelines and limits for investment of the Company's funds. The members are Mr. Lutaf Kassam (Chairman), Mr. John Metcalf, Mr. Shabir Abji and Mr. Moez Jamal.

Board Information Technology (IT) Committee:

The Committee is responsible to oversee and monitor the IT strategy and roadmap formulation, IT investment proposals, review IT investments such as new systems recommendations from a technical and operational perspective. The members are Mr. Shabir Abji (Chairman), Mr. John Metcalf and Mr. Juma Kisaame.

Board Property Committee:

The committee deals with the Company's property portfolio and makes recommendations to the Board. The members are Mr. Nizar Juma (Chairman), Mr. Lutaf Kassam and Mr. Zul Abdul.

REMUNERATION POLICIES

Directors:

The particulars of the Directors' remuneration are given in the Directors' Remuneration Report on page 19.

Senior Management:

The Board Nominating & Human Resources Committee is also mandated to review and determine the Company's policy on remuneration and advise on the specific remuneration packages of executive Directors and senior managers so as to ensure that both are fairly rewarded for their individual contributions to the Company's overall performance. All employees in the Company are eligible for an annual bonus which is determined by the overall performance of the Company and the individual's performance determined against a Balance Score Card. The Company does not have any share options schemes for senior executives.

CONFLICT OF INTEREST

The Board has adopted a Directors' Code of Ethics and Conduct which sets out written standards of conduct expected of the Directors and which aims at encouraging amongst others, honest and ethical business conduct. One of the key principles underlying ethical business conduct is the avoidance and disclosure of conflict of interest. Conflict of interest means a situation where a Director's private interest or that of a family member or associated institution interferes or appears to interfere with the interests of the Company as a whole.

Directors are under statutory obligation to avoid a situation in which the Director has, or can have, a direct or indirect interest that conflicts, or may conflict, with the interests of the Company. Where the conflict is inevitable, a Director is required to notify the Chairman of the Board as promptly as practicable and recuse himself/herself from any discussion or decision by the Board that relates to the matter that gives rise to the conflict.

INSIDER TRADING POLICY

The Capital Markets Authority Act has prescribed certain regulations that expressly prohibit the use of unpublished insider information. Insider information is generally information that:

- relates to the Company and the Company's securities;
- has not been made public;
- if it were made public, is likely to have a material effect on the price of the securities.

The Company has also adopted an Insider Trading Policy with the objective of promoting transparency and accountability by Directors, employees, officers and members of their families including spouses, children, parents and siblings ("Insiders"). The Company's Insider Trading Policy prohibits Insiders from trading in the securities of the Company at any time they are in possession of Insider Information. The policy also prescribes a Trading Window during which Insiders can trade in the securities of the Company. The trading window opens twenty-four (24) hours after the release of any material or price sensitive information (including the interim and final financial results) and closes fourteen (14) calendar days later.

During the year under review, there was no known insider trading.

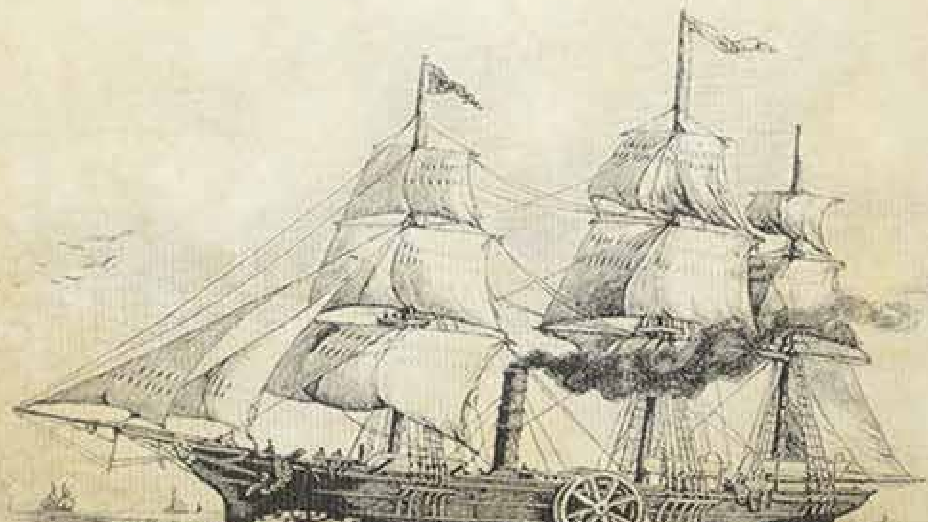
FRAUD AWARENESS & WHISTLE BLOWING POLICY

The Company has a zero tolerance approach to fraud and corruption and has put in place proactive and reactive measures to address both. Employees are continuously sensitized on fraud awareness and their role in identifying, preventing and reporting fraudulent and corrupt behaviour.

To encourage employee partnership in the fight against fraud and corruption, the Company has adopted a Whistle Blowing Policy that aims to have an effective internal mechanism that enables employees to freely, voluntarily, in good faith and without fear of victimization come forward and share any information they may have regarding any financial misconduct, misuse of Company resources, unethical or dishonest behavior by co-workers (at all level), service providers, suppliers or other stakeholders dealing with the Company. Towards this end and to facilitate reporting, the Company has signed up for an external and internationally accredited whistle blowing facility which enables employees and other stakeholders to make reports via multiple reporting channels including telephone (toll-free or call back facility), email and web. This facility therefore guarantees anonymity and enhances the Company's compliance with legislation on the protection of whistle blowers.

All reports are forwarded directly from the reporting center to the Chairman of the Board Audit & Compliance Committee for appropriate action. All reported fraud is investigated and appropriate action taken against an employee involved directly or indirectly. A summary of all reports and investigations are reported to the Board on a quarterly basis.

Lloyd's Coffee House was the first marine insurance market. It became the meeting place for parties in the shipping industry wishing to insure cargoes and ships, and those willing to underwrite such ventures.



The Board Nominating & Human Resources Committee is mandated to review the remuneration of Non-Executive Directors to ensure that the same is competitive and aligned with the business strategy and long-term objectives of the Company.

During the year under review, all Directors served on a Non-Executive basis. In recognition of their contribution to the Company, the Non-Executive Directors receive fees as well as sitting allowances for Board and Committee meetings. The fees are approved by Shareholders at Annual General Meetings and is payable on a quarterly basis.

The aggregate amount of emoluments received by the Directors in the Group during the year under review was Kshs 6.1 million and is shown on page 58 under note 10 (iii). This amount is in conformity with the approvals given by the Shareholders at the last Annual General Meeting on 31st May 2016.

The Non-Executive Directors are not covered by the Company's incentive programmes and do not receive performance-based remuneration. No pension contributions are payable on their fees. The Company however reimburses travel and accommodation expenses related to attendance at Board meetings. During the year under review, no loans were advanced to the Directors.

By Order of the Board

Margaret Muhuni-Kipchumba
Company Secretary

Sustainability Strategy and Profile

The primary goal of Jubilee Holdings Limited (Jubilee or the Group) is to build strong partnerships and relationships with its stakeholders and the community through engaging in sustainable business activities and well planned and executed Corporate Social Responsibility (CSR) programs.

Private Public Partnership in Local Livestock Insurance

Within the year under review Jubilee Kenya became one of the participants of a consortium of insurance companies that pooled together to offer the Livestock Insurance Program. This program was proposed by the Kenyan government as a way of cushioning livestock farmers in the arid and semi-arid regions of Kenya.

In early February 2017, given the effects of the prevailing drought situation in Kenya, the Government announced a payout of more than Kshs 214 million to 12,000 pastoral households in six counties of northern Kenya.

Economic Development Involvement

As a corporate citizen, Jubilee is tax compliant and contributes highly to the exchequer. This compliance has been extended to all regulatory requirements and guidelines within the various jurisdictions that the Group operates. In Burundi, Jubilee was appreciated for being one of the best tax payer in the country.

As at 31 December 2016, the Group was insuring over 1.25 million lives, with over 162,000 policies in place. By the end of the year 2016 Jubilee Group employed about 5,017 agents across the region who are supported through education programs.

Environmental Performance

Jubilee is committed to considering environmental issues in all aspects of its business, including how it:

- evaluates companies, transactions and risk;
- collaborates with and educate its clients, partners, and employees;
- conducts its own operations; and,
- promotes and develops new market opportunities.

This approach to environmental issues helps pursue our principal focus of creating long-term value for shareholders and serving the long-term interests of clients.

Employee Engagement, Welfare and Development Programs

Over the years, Jubilee has employed an elaborate process of talent search, recruitment, placement, assessment and management, which incorporate management and leadership development tools, competency assessments and coaching to prepare Jubilee's future leaders.

The Group has a continuous internship program where continuing university graduates are placed for about 3 months to allow them gain practical experience in a real work environment.

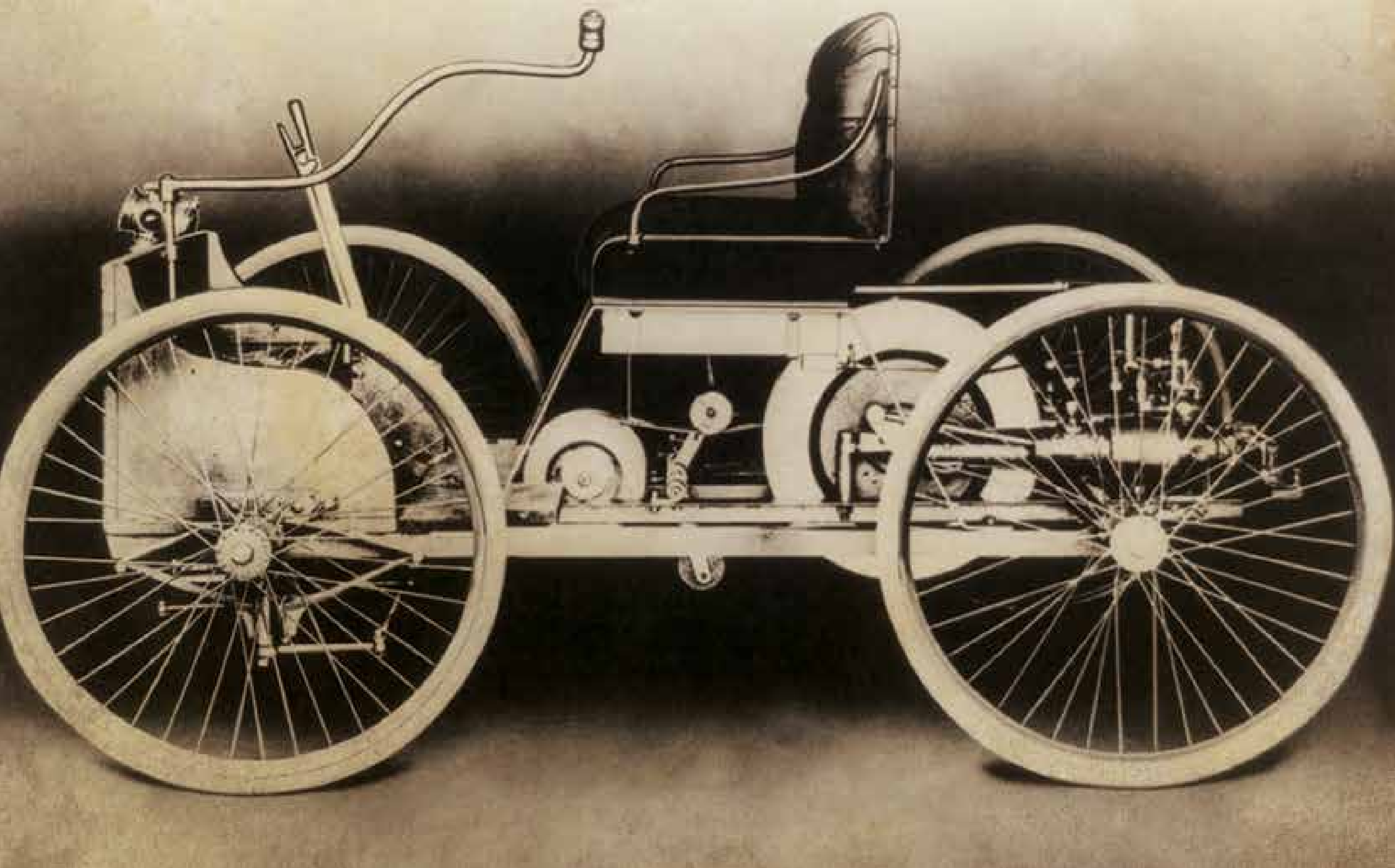
Corporate Social Responsibility (CSR) Program

The CSR program(s) strengthens the social and economic status of the society and communities in which the Group operate. Jubilee's CSR activities are geared towards maintaining a balance in the ecosystem and improving the lives of those who are vulnerable in the society.

The Group's CSR initiatives are influenced by our CSR Pillars. These are; education, health and social action, which are areas that affect the foundation of our communities.

"Anyone who stops learning is old, whether at twenty or eighty. Anyone who keeps learning stays young. The greatest thing in life is to keep your mind young."

Henry Ford



List of 10 largest shareholders as at 31 December 2016

Names		Number of shares held	% Shareholding
1	Aga Khan Fund for Economic Development	25,026,127	37.98%
2	Pyrus Investments Limited	6,777,192	10.29%
3	Freight Forwarders Kenya Limited	1,287,200	1.95%
4	United Housing Estates Limited	1,195,407	1.81%
5	Adam's Brown and Co. Limited	1,177,119	1.79%
6	Aunali Fidahussein Rajabali & Sajjad Fidahussein Rajabali	618,052	0.94%
7	Gulshan Noorali Sayani	329,552	0.50%
8	Ariff Aziz Shamji & Farah Bahadur Alibhai Ukani	293,089	0.44%
9	Standard Chartered Kenya Nominees Ltd - A/c KE18972	273,836	0.42%
10	Standard Chartered Kenya Nominees Ltd - A/c KE18965	244,866	0.37%
TOTAL		**37,222,440**	**56.49%**

Distribution of Shareholders as at 31 December 2016

Number of shares	Number of shareholders	Number of shares held	% Shareholding
Less than 500 shares	1,754	268,123	0.41%
500 – 5,000 shares	3,263	6,269,244	9.52%
5,001 – 10,000 shares	745	4,893,483	7.43%
10,001 – 100,000 shares	545	12,993,374	19.72%
100,001 – 1,000,000 shares	34	5,997,231	9.10%
Over 1,000,000 shares	5	35,463,045	53.82%
Total	**6,346**	**65,884,500**	**100.00%**

Directors' interest in the shares of the company as at 31 December 2016

Name	Number of shares held	% Shareholding
Mr Nizar Juma	8,588	0.01%

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2016 which disclose the state of affairs of Jubilee Holdings Limited (the "Company") and its subsidiary companies (together the "Group").

Country of incorporation

The Company is incorporated in the Republic of Kenya under the Companies Act and is domiciled in Kenya. The Company is also registered as a foreign company in the Republic of Uganda and in the United Republic of Tanzania.

Principal activities

The Company is an investments holding company. The Company, through its subsidiaries, The Jubilee Insurance Company of Kenya Limited, The Jubilee Insurance Company of Uganda Limited, Jubilee Life Insurance Company of Uganda Limited, The Jubilee Insurance Company of Tanzania Limited, Jubilee Life Insurance Corporation of Tanzania Limited and The Jubilee Insurance Company Burundi (SA), transacts all classes of general and long term insurance business as defined by the Kenyan Insurance Act while Jubilee Insurance (Mauritius) Limited transacts all classes of general insurance. It also owns investment companies in Kenya, Uganda, Tanzania and Burundi, as well as a fund management company in Kenya (Jubilee Financial Services Limited).

Results

The following is the summary of the results for the year ended 31 December 2016

	2016	2015
Profit analysis	**Kshs'000**	**Kshs'000**
Group profit before income tax	4,562,705	4,145,139
Income tax expense	(886,758)	(1,024,046)
Group profit after income tax	**3,675,947**	**3,121,093**
Non controlling interest	(379,322)	(307,037)
Profit attributable to equityholders of the company	**3,296,625**	**2,814,056**

Dividend

An interim dividend of Kshs 1.00 per share amounting to Kshs 65.885 million (2015:Kshs 65.885 million) was paid on 7 October 2016. The Directors recommend a final dividend of Kshs 7.50 per share amounting to Kshs 494.133 million (2015: Kshs 494.133 million), as well as a bonus issue of 1 share for every10 shares held, for approval by share holders. The total dividend for the year represents 170% of the issued share capital as at 31 December 2016 (2015: 170%).

Risk Management

The aim of the Enterprise Risk Management (ERM) framework developed, is to realise opportunities, while reducing threats to an acceptable level through the implementation of adequate controls. Through the ERM process, decision makers better understand business situations and how the likely outcomes may affect the Group as a whole, enabling them choose options that are aligned with the Group's risk appetite or options that can be aligned through implementation of effective controls.

Each entity within the Group has risk champions whose mandate is to spearhead the implementation of risk management and reporting on risks. There also exist structures for reporting the risk so that the Group's Board is given assurance that risks are being defined and managed at acceptable levels.

Directors

The Directors who held office during the year under review and up to the date of this report confirm were:

Nizar N Juma (Chairman)
Sultan A Allana *
Juma Kisaame***
Lutaf R Kassam
John J Metcalf ****
Shabir Abji**
Jane S Mwangi
Moez Jamal ****
Zul Abdul
Ramadhani K Dau ** resigned on 30 May 2016
Sultan K Khimji resigned on 30 May 2016

* Pakistani ** Tanzanian ***Ugandan **** British

Relevant audit information

The Directors in office at the date of this report confirm that:

- There is no relevant audit information of which the Company's auditor is unaware.
- Each director has taken all the steps that they ought to have taken as a director so as to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Business overview

The details of the business overview are captured in the Chairman's Statement on pages 11 to 13.

Auditors

The auditors, KPMG Kenya, continue in office in accordance with the Kenyan Companies Act, 2015.

On behalf of the Board

Nizar N Juma
Chairman
Nairobi

27 March 2017

The Directors are responsible for the preparation and fair presentation of the Group and Company financial statements of Jubilee Holdings Limited set out on page 31 to 97 which comprise the consolidated and company statements of financial position at 31 December 2016, consolidated statement of profit or loss and the consolidated statement of other comprehensive income, consolidated and company statements of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015.

The Directors' responsibilities include: determining that the basis of accounting described in Note 2 is an acceptable basis for preparing and presenting the financial statements in the circumstances, preparation and presentation of financial statements in accordance with International Financial Reporting Standards and the Kenyan Companies Act, 2015, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Under the Kenyan Companies Act, 2015 the Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of the operating results of the Group for that year. It also requires the Directors to ensure the Group keeps proper accounting records which disclose with reasonable accuracy the financial position of the Group and Company.

The Directors accept responsibility for the annual financial statements, which have been prepared using the appropriate accounting policies supported by reasonable and prudent judgement and estimates, in conformity with the International Financial Reporting Standards and in a manner required by the Kenyan Companies Act, 2015. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs and the operating results of the Group and the Company.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements as well as adequate systems of internal financial control.

The Directors have made an assessment of the Group and the Company's ability to continue as a going concern and have no reason to believe the Group and the Company will not be a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Group and Company financial statements, as indicated above, were approved by the Board of Directors on 27 March 2017 and were signed on its behalf by:

Nizar N Juma
Chairman

Zul Abdul
Director

KPMG Kenya
Certififed Public Accountants
ABC Towers, 8th floor
Waiyaki way
P.O. Box 40612 - 00100 GPO
Nairobi, Kenya

Tel: +254 20 2806000
Fax: +254 20 2215695
Email: info@kpmg.co.ke
www.kpmg.com/eastafrica

Report on the financial statements

Opinion

We have audited the financial statements of Jubilee Holdings Limited set out on pages 31 to 97, which comprise the consolidated and company statements of financial position as at 31 December 2016, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated and company statements of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the consolidated and company financial position of Jubilee Holdings Limited as at 31 December 2016, and of the consolidated financial performance and cash flows for the year then ended in accordance International Financial Reporting Standards (IFRS) and the Kenyan Companies Act, 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and Company in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and company financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and company financial statements as a whole, and in forming our opinion, and we do not provide a separate opinion on these matters.

Premium income and receivables	
See Notes 4(c), 6 and 31 to the financial statements.	
The key audit matter	**How the matter was addressed**
Significant judgment is involved in premium revenue recognition, determination of unearned premiums and estimation of provisions for uncollected premium receivables. There are inherent risks in the valuation of reinsurance assets and insurance receivables (Note 4(c)) and these balances require judgement to be applied by the Group to the valuation and their processing requires manual adjustments to be made. Due to the above factors, we considered premium income and receivables to be a key audit matter. The Group's accounting policies in respect of premium income and receivables are included in the Group's accounting policies while the disclosures are included in Notes 4(c), 6 and 31 to the financial statements.	Our audit procedures in this area included, among others: • evaluation and testing of key controls over the processes designed to record and monitor premium income and insurance and reinsurance receivables; • inspection of management's aged analysis for recoveries as at 31 December 2016; • understanding the terms of the reinsurance programmes in place and conducting relevant substantive procedures and substantive analytical procedures to assess the reasonableness of the reinsurance assets relative to gross provisions; • considering credit ratings for reinsurers, facultative and brokerage entities; and • testing of the manual adjustments on a sample basis by tracing back to supporting documentation.

Report on the financial statements (continued)

Insurance and Deposit Administration Contract Liabilities	
See Notes 29 and 30 to the financial statements	
The key audit matter	**How the matter was addressed**
Short term insurance contract liabilities Short term insurance contract liabilities constitute about 11% of the Group's total liabilities. Valuation of these liabilities is highly judgemental, and requires a number of assumptions to be made that have high estimation uncertainty. This is particularly the case for those liabilities that are recognised in respect of claims that have occurred, but have not yet been reported to the Group. Small changes in the assumptions used to value the liabilities, particularly those relating to the amount and timing of future claims, can lead to material impacts on the valuation of insurance liabilities. The key assumptions that drive the reserving calculations include graduate development factors, loss ratios, inflation assumptions and claims expense assumptions. The valuation of insurance contract liabilities depends on accurate data about the volume, amount and since they are often used to form expectations about future claims. If the data used in calculating insurance liabilities, or for forming judgements over key assumptions, is not complete and accurate then material impacts on the valuation of insurance liabilities may arise. Consequently, we determined the valuation of short term insurance contract liabilities to be a key audit matter. The Group's accounting policies in respect of short term insurance contract liabilities are included in the Group's accounting policies while the disclosures are included in Note 29 to the financial statements.	Our audit procedures in this area included, among others: • Evaluating and testing key controls around the claims handling and reserve setting processes of the Group; • Checking for any unrecorded liabilities at the end of the period; • Checking samples of claims reserves through comparing the estimated amount of the reserve to appropriate documentation, such as reports from loss adjusters; • Re-performing reconciliations between the data recorded in the financial systems and the data used in the actuarial reserving calculations; • Re-projecting the incurred but not reported reserve balances using the actuarially-determined reserve percentages per class of business; • Using our actuarial specialists to review the reserving methodology applied and analytically review the valuation results presented and movements since the previous year end. We focused on understanding the methodologies applied and examined areas of judgement such as changes in valuation assumptions; and • Considering the validity of management's liability adequacy testing by assessing the reasonableness of the projected cash flows and challenging the assumptions adopted in the context of company and industry experience data and specific product features.
Long term insurance contract liabilities The Group has significant long term insurance contract liabilities and deposit administration liabilities representing about 70% of the Group's total liabilities. This is an area that involves significant judgement over uncertain future outcomes, mainly the ultimate total settlement value of long-term policyholder liabilities. Economic and operating assumptions, such as investment returns, mortality and persistency (including consideration of policyholder behaviour), expenses and expense inflation, withdrawals and sensitivity analysis are the key inputs used to estimate these long-term liabilities. The assumptions to be made have high estimation uncertainty and changes in the estimates may lead to material impact on the valuation of the liabilities. The valuation also depends on accurate data extraction from the information systems. If the data used is not complete and accurate then material impacts on the valuation of policyholder liabilities may also arise. Due to the high level of judgment, sensitivity of the assumptions used and complexity of the valuation of long term insurance contract liabilities, we considered this to be a key audit matter. The Group's accounting policies in respect of long term insurance contract liabilities are included in the Group's accounting policies while the disclosures are included in Notes 29 and 30 to the financial statements.	Our audit procedures in this area included, among others: • Comparing the assumptions to expectations based on the Group's historical experience, current trends and our own industry knowledge; • Evaluating the governance around the overall Group reserving process, including the scrutiny applied by the internal and appointed external actuaries. We assessed qualifications and experience of those responsible and examined the output of the reviews to assess the scope and depth of these processes. Our evaluation of the methodologies and key assumptions enabled us to assess the quality of the challenge applied through the Group's reserving process; • Using our actuarial specialists to review the reserving methodology applied and analytically reviewed the valuation results presented and movements since the previous year end. We focused on understanding the methodologies applied and examined areas of judgement such as changes in valuation assumptions; • Considering the validity of management's liability adequacy testing by assessing the reasonableness of the projected cash flows and challenging the assumptions adopted in the context of Group and industry experience data and specific product features; and • Considering whether the Group's disclosures in relation to the assumptions used in the valuation are compliant with the relevant accounting requirements in particular the sensitivities of these assumptions to alternative scenarios and inputs.

Report on the financial statements (continued)

Valuation of unquoted investments	
See Note 19 to the financial statements.	
The key audit matter	**How the matter was addressed**
Given the ongoing market volatility and macroeconomic uncertainty, investment valuation continues to be an area of inherent risk. The risk is not uniform for all investment types and is greatest for unquoted investments where the investments are hard to value because quoted prices are not readily available. The Group's accounting policies in respect of financial assets are included in the Group's accounting policies while the disclosures are included in Note 19 to the financial statements.	We assessed both the methodology and assumptions used by management in the calculation of the year end values of the investments as well as testing the governance controls that the Directors have in place to monitor these processes. The testing included performing, amongst others, the following procedures: • Evaluating the methodology and assumptions in particular, yield curves, discounted cash flows, property growth rates and liquidity premium used within the valuation models; • Comparing the assumptions used against appropriate benchmarks and investigated significant differences; • Testing the operation of data integrity and change management controls for the models; and • Using our valuation experts to perform independent valuations, where applicable.
IT systems and controls	
The key audit matter	**How the matter was addressed**
Many financial reporting controls depend on the correct functioning of operational and financial IT systems, for example interfaces between the operating systems and financial reporting systems, or automated controls that prevent or detect inaccurate or incomplete transfers of financial information. If these systems or controls fail, a significant risk of error in reported financial information can arise from the failure to transfer data appropriately between systems or inappropriate changes being made to financial data or systems. This is an area requiring particular audit attention in our audit due to the complexity of the IT infrastructure and legacy systems which require manual inputs, relative to more automated processes.	In this area our audit procedures included, among others: • Testing general IT controls around system access and change management and testing controls over computer operations within specific applications which are required to be operating correctly to mitigate the risk of misstatement in the financial statements; and • Using our own IT specialists, we tested these controls through examining the process for approving changes to the systems, and assessing the restrictions placed on access to core systems through testing the permissions and responsibilities of those given that access.

Other information

The Directors are responsible for the other information. The other information comprises the *Financial Highlights, Group Information, Principle Shareholders and Share Distribution, Report of the Directors, Statement of Directors' Responsibilities* and *Supplementary Information* which we obtained prior to the date of this auditors' report, and the *Chairman's Statement, Corporate Governance Statement, Directors' Remuneration Report, Environment and Corporate Social Responsibility and Achievements,* which are expected to be made available to us after that date.

Our opinion on the consolidated and company financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and company financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work that we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, then we are required to report that fact. We have nothing to report in this regard.

When we read the *Chairman's Statement, Corporate Governance Statement, Directors' Remuneration Report, Environment and Corporate Social Responsibility and Achievements,* if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors.

Report on the financial statements (continued)

Directors' responsibility for the financial statements

As stated on page 25, the Directors are responsible for the preparation of the consolidated and company financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015 and for such internal control, as the Directors determine is necessary to enable the preparation of consolidated and company financial statements that are free from material misstatement, whether due to fraud or error.

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

The Directors are responsible for overseeing the Group's and Company's financial reporting process.

Auditors' responsibility for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.

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

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

- Evaluate the overall presentation, structure and content of the consolidated and company financial statements, including the disclosures, and whether the consolidated and company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on other legal and regulatory requirements

As required by the Kenyan Companies Act, 2015 we report to you, based on our audit, that:

- We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- In our opinion, proper books of account have been kept by the Company, in so far as appears from our examination of those books; and
- The statement of financial position of the Company is in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditors' report is CPA Alexander Mbai – P/2172.

KPMG Kenya
Certified Public Accountants
8th Floor, ABC Towers, Waiyaki Way
P. O. Box 40612 00100, Nairobi

27 March 2017

	Note	2016 Kshs '000	2015 Kshs '000
Gross earned premium revenue	6	26,907,645	23,029,932
Outward reinsurance	6	(9,326,416)	(8,153,775)
Net insurance premium revenue		**17,581,229**	**14,876,157**
Investment and other income	7	6,700,644	6,093,468
Net fair value loss on financial assets at fair value through profit or loss	19 & 20	(1,612,126)	(1,109,494)
Commission earned	8	2,034,115	1,837,783
Total income		**24,703,862**	**21,697,914**
Claims and policy holders benefits payable	9	(19,930,738)	(16,355,448)
Claims recoverable from re-insurers	9	5,965,207	4,790,173
Net insurance benefits and claims		**(13,965,531)**	**(11,565,275)**
Operating and other expenses	10	(4,220,837)	(3,870,544)
Commission payable	8	(3,385,541)	(3,134,107)
Total expenses and commissions		**(7,606,378)**	**(7,004,651)**
Result of operating activities		**3,131,953**	**3,127,988**
Finance costs	32	-	(34,861)
Share of result of associates	18 (i)	1,430,752	1,052,012
Group profit before income tax		**4,562,705**	**4,145,139**
Income tax expense	11	(886,758)	(1,024,046)
Profit for the year		**3,675,947**	**3,121,093**
Attributable to:			
Equityholders of the company		3,296,625	2,814,056
Non-controlling interest	18 (iii)	379,322	307,037
Total		**3,675,947**	**3,121,093**
Earnings Per Share (Kshs)			
Basic and diluted	12	50.04	42.71

The notes on pages 37 to 97 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 Kshs '000	2015 Kshs '000
Profit for the year		3,675,947	3,121,093
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Net fair value loss on financial assets	19 & 20	(383,121)	(362,297)
Deferred tax on other comprehensive income	28	7,604	(7,963)
Items that are or/may be reclassified subsequently to profit or loss			
Net translation (loss)/gain	14 (c) & 18 (iii)	(497,679)	242,776
Associate share of other comprehensive income	18 (i)	(52,888)	(27,085)
Total other comprehensive income, net of tax		**(926,084)**	**(154,569)**
Total comprehensive income for the year		**2,749,863**	**2,966,524**
Attributable to:			
Equityholders of the Company		2,557,242	2,723,772
Non-controlling interest	18 (iii)	192,621	242,752
Total comprehensive income for the year		**2,749,863**	**2,966,524**

The notes on pages 37 to 97 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	2016 Kshs '000	2015 Kshs '000
ASSETS			
Property and equipment	16 (i)	217,654	226,341
Intangible assets	16 (ii)	163,425	64,950
Investment properties	17	6,011,881	5,535,330
Investment in associates	18 (i)	9,263,205	8,735,980
Deferred tax asset	28	179,687	73,331
Unquoted equity investments at fair value through profit or loss	19	2,805,049	2,675,147
Unquoted equity investments at fair value through other comprehensive income	19	104,875	104,445
Quoted equity investments at fair value through profit or loss	20	4,644,331	6,446,523
Quoted equity investments at fair value through other comprehensive income	20	983,598	1,377,303
Mortgage loans	21 (i)	79,869	67,524
Loans on life insurance policies	21 (ii)	716,367	495,153
Government securities at amortised cost	22	39,666,112	29,604,698
Commercial bonds at amortised cost	23	1,423,678	1,859,070
Deferred acquisition costs	24	221,842	264,081
Current tax recoverable	11	124,014	45,840
Receivables arising out of direct insurance arrangements	4(c)	4,810,755	4,214,950
Receivables arising out of reinsurance arrangements	4(c)	2,805,793	2,179,849
Reinsurers' share of insurance contract liabilities	25	6,891,960	6,641,579
Other receivables	26	1,241,065	1,035,593
Deposits with financial institutions	27	7,247,623	10,029,209
Cash and bank balances	27	964,960	701,114
Total assets		**90,567,743**	**82,378,010**
LIABILITIES			
Deferred tax liability	28	163,189	196,841
Insurance contract liabilities	29	20,281,061	18,709,163
Payable under deposit administration contracts	30	35,988,354	30,958,100
Unearned premium reserve	31	8,708,799	7,760,661
Dividends payable	15 (ii)	325,515	269,627
Other payables	33	1,910,747	2,287,144
Current tax payable	11	139,133	228,195
Creditors arising out of direct insurance arrangements		293,024	137,591
Creditors arising out of reinsurance arrangements		1,336,252	1,449,481
Total liabilities		**69,146,074**	**61,996,803**
EQUITY			
Share capital	13	329,423	329,423
Reserves	14	2,769,487	4,515,296
Retained earnings		16,352,839	13,759,189
Proposed dividends	15 (i)	494,133	494,133
Equity attributable to owners of the company		**19,945,882**	**19,098,041**
Non-controlling interest	18 (iii)	1,475,787	1,283,166
Total equity		**21,421,669**	**20,381,207**
Total liabilities and equity		**90,567,743**	**82,378,010**

The financial statements on pages 31 to 97 were approved by the Board of Directors on 27 March 2017 and signed on its behalf by:

Nizar N Juma
Chairman

Zul Abdul
Director

The notes on pages 37 to 97 are an integral part of these financial statements.

	Note	2016 Kshs '000	2015 Kshs '000
ASSETS			
Property and equipment	16 (i)	22,829	26,625
Investment in associates	18 (i)	838,251	838,251
Investment in subsidiaries	18 (ii)	1,850,890	1,810,627
Deferred income tax asset	28	4,229	2,505
Unquoted equity investments at fair value through other comprehensive income	19	27,599	23,565
Quoted equity investments at fair value through other comprehensive income	20	11,874	16,056
Current income tax recoverable	11	10,004	8,811
Due from related parties	35	89,452	148,080
Other receivables	26	50,206	12,159
Deposits with financial institutions	27	12,345	23,731
Cash and bank balances	27	20,844	93,818
Total assets		**2,938,523**	**3,004,228**
LIABILITIES			
Due to related parties	35	833,924	435,158
Dividends payable	15 (ii)	325,515	269,627
Other payables	33	13,457	13,324
Total liabilities		**1,172,896**	**718,109**
EQUITY			
Share capital	13	329,423	329,423
Reserves	14	76,847	76,995
Retained earnings		865,224	1,385,568
Proposed dividends	15 (i)	494,133	494,133
Total equity		**1,765,627**	**2,286,119**
Total liabilities and equity		**2,938,523**	**3,004,228**

The financial statements on pages 31 to 97 were approved by the Board of Directors on 27 March 2017 and signed on its behalf by:

Nizar N Juma
Chairman

Zul Abdul
Director

The notes on pages 37 to 97 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Share Capital Kshs '000	Fair Value Kshs '000	General Kshs '000	Translation Kshs '000	Contingency Kshs '000	Statutory Kshs '000	Retained Earnings Kshs '000	Proposed Dividends Kshs '000	Equity Attributable to Owners Kshs '000	Non-Controlling Interest Kshs '000	Total Equity Kshs '000
Year ended 31 December 2015												
At start of year		**299,475**	**974,878**	**70,000**	**(550,691)**	**752,532**	**1,958,336**	**11,484,875**	**449,212**	**15,438,617**	**1,040,414**	**16,479,031**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**2,814,056**	**-**	**2,814,056**	**307,037**	**3,121,093**
Other comprehensive income:												
Other fair value gains on share of associates through OCI	18 (i)	-	(27,085)	-	-	-	-	-	-	**(27,085)**	-	**(27,085)**
Change in fair value of financial assets through OCI		-	(370,474)	-	-	-	-	-	-	**(370,474)**	8,177	**(362,297)**
Deferred tax on other comprehensive income	28	-	(2,967)	-	-	-	-	-	-	**(2,967)**	(4,996)	**(7,963)**
Transfer to retained earnings on disposal		-	(45,864)	-	-	-	-	45,864	-	**-**	-	**-**
Net translation loss	14 (c)	-	-	-	310,242	-	-	-	-	**310,242**	(67,466)	**242,776**
Transfer to contingency reserves	14 (d)	-	-	-	-	76,881	-	(76,881)	-	**-**	-	**-**
Transfer from life fund	14 (e)	-	-	-	-	-	1,369,508	-	-	**1,369,508**	-	**1,369,508**
Transfer from subsidiary group life		-	-	-	-	-	-	81,241	-	**81,241**	-	**81,241**
Total comprehensive income for the year		**-**	**(446,390)**	**-**	**310,242**	**76,881**	**1,369,508**	**2,864,280**	**-**	**4,174,521**	**242,752**	**4,417,273**
Transactions with owners:												
Bonus issue		29,948	-	-	-	-	-	(29,948)	-	**-**	-	**-**
Dividends: Final for 2014 paid	15 (ii)	-	-	-	-	-	-	-	(449,212)	**(449,212)**	-	**(449,212)**
Interim for 2015 paid	15 (i) & (ii)	-	-	-	-	-	-	(65,885)	-	**(65,885)**	-	**(65,885)**
Final for 2015 proposed	15 (i)	-	-	-	-	-	-	(494,133)	494,133	**-**	-	**-**
Total transactions with owners		**29,948**	**-**	**-**	**-**	**-**	**-**	**(589,966)**	**44,921**	**(515,097)**	**-**	**(515,097)**
At end of year		**329,423**	**528,488**	**70,000**	**(240,449)**	**829,413**	**3,327,844**	**13,759,189**	**494,133**	**19,098,041**	**1,283,166**	**20,381,207**
Year ended 31 December 2016												
At start of year		**329,423**	**528,488**	**70,000**	**(240,449)**	**829,413**	**3,327,844**	**13,759,189**	**494,133**	**19,098,041**	**1,283,166**	**20,381,207**
Prior year adjustment	39	-	-	-	-	-	-	(6,612)	-	**(6,612)**	-	**(6,612)**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**3,296,625**	**-**	**3,296,625**	**379,322**	**3,675,947**
Other comprehensive income:												
Other fair value loss on share of associates through OCI	18 (i)	-	(52,888)	-	-	-	-	-	-	**(52,888)**	-	**(52,888)**
Change in fair value of financial assets through OCI		-	(379,322)	-	-	-	-	-	-	**(379,322)**	(3,799)	**(383,121)**
Deferred tax on other comprehensive income	28	-	6,464	-	-	-	-	-	-	**6,464**	1,140	**7,604**
Transfer to retained earnings on disposal of quoted shares		-	1,716	-	-	-	-	(1,716)	-	**-**	-	**-**
Net translation loss	14 (c)	-	-	-	(313,637)	-	-	-	-	**(313,637)**	(184,042)	**(497,679)**
Transfer to contingency reserves	14 (d)	-	-	-	-	134,629	-	(134,629)	-	**-**	-	**-**
Transfer to life fund	14 (e)	-	-	-	-	-	(1,142,771)	-	-	**(1,142,771)**	-	**(1,142,771)**
Transfer from subsidiary group life		-	-	-	-	-	-	-	-	**-**	-	**-**
Total comprehensive income for the year		**-**	**(424,030)**	**-**	**(313,637)**	**134,629**	**(1,142,771)**	**3,153,668**	**-**	**1,407,859**	**192,621**	**1,600,480**
Transactions with owners:												
Dividends: Final for 2015 paid	15 (ii)	-	-	-	-	-	-	-	(494,133)	**(494,133)**	-	**(494,133)**
Interim for 2016 paid	15 (i) & (ii)	-	-	-	-	-	-	(65,885)	-	**(65,885)**	-	**(65,885)**
Final for 2016 proposed	15 (i)	-	-	-	-	-	-	(494,133)	494,133	**-**	-	**-**
Total transactions with owners		**-**	**-**	**-**	**-**	**-**	**-**	**(560,018)**	**-**	**(560,018)**	**-**	**(560,018)**
At end of year		**329,423**	**104,458**	**70,000**	**(554,086)**	**964,042**	**2,185,073**	**16,352,839**	**494,133**	**19,945,882**	**1,475,787**	**21,421,669**

The notes on pages 37 to 97 are an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Share Capital	Reserves Fair Value Reserves	General Reserves	Retained Earnings	Proposed Dividends	Total Equity
		Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Year ended 31 December 2015							
At start of year		**299,475**	**(5,019)**	**70,000**	**1,291,861**	**449,212**	**2,105,529**
Profit for the year		**-**	**-**	**-**	**683,673**	**-**	**683,673**
Other comprehensive Income:							
Change in fair value of financial assets through other comprehensive income	14 (a)	-	12,014	-	-	-	**12,014**
Total comprehensive income for the year		**-**	**12,014**	**-**	**683,673**	**-**	**695,687**
Transactions with owners:							
Bonus issue		29,948	-	-	(29,948)	-	**-**
Dividends: Final for 2014 paid	15 (ii)	-	-	-	-	(449,212)	**(449,212)**
Interim for 2015 paid	15 (i) & (ii)	-	-	-	(65,885)	-	**(65,885)**
Final for 2015 proposed	15 (i)	-	-	-	(494,133)	494,133	**-**
Total transactions with owners		**29,948**	**-**	**-**	**(589,966)**	**44,921**	**(515,097)**
At end of year		**329,423**	**6,995**	**70,000**	**1,385,568**	**494,133**	**2,286,119**
Year ended 31 December 2016							
At start of year		**329,423**	**6,995**	**70,000**	**1,385,568**	**494,133**	**2,286,119**
Profit for the year		**-**	**-**	**-**	**39,674**	**-**	**39,674**
Other comprehensive Income:							
Change in fair value of financial assets through other comprehensive income	14 (a)	-	(148)	-	-	-	**(148)**
Total comprehensive income for the year		**-**	**(148)**	**-**	**39,674**	**-**	**39,526**
Transactions with owners:							
Dividends: Final for 2015 paid	15 (ii)	-	-	-	-	(494,133)	**(494,133)**
Interim for 2016 paid	15 (i) & (ii)	-	-	-	(65,885)	-	**(65,885)**
Final for 2016 proposed	15 (i)	-	-	-	(494,133)	494,133	**-**
Total transactions with owners		**-**	**-**	**-**	**(560,018)**	**-**	**(560,018)**
At end of year		**329,423**	**6,847**	**70,000**	**865,224**	**494,133**	**1,765,627**

The notes on pages 37 to 97 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

		GROUP	
		2016	**2015**
	Note	**Kshs '000**	**Kshs '000**
Cash flow from operating activities			
Profit before income tax		4,562,705	4,145,139
Adjustments for: -			
Depreciation and amortisation	16	125,572	116,081
Impairment of insurance receivables	10 (i)	271,534	138,583
Fair value gains on equity investments at fair value through profit and loss	19 & 20	1,612,126	1,109,494
Investment income and other income	7	(6,700,644)	(6,093,468)
Share of result of associates after income tax	18 (i)	(1,430,752)	(1,052,012)
Operating profit before changes to receivables and payables		**(1,559,459)**	**(1,636,183)**
Change in deposit administration contracts	30 & 14 (e)	3,929,519	4,334,110
Change in insurance contract liabilities and reserves	29, 31 & 14 (e)	2,478,002	1,215,181
Change in premium, reinsurance and other receivables		(1,635,361)	(1,286,558)
Change in reinsurance and other payables		(334,193)	956,177
Cash generated from operations		**2,878,508**	**3,582,727**
Income tax paid	11	(1,203,916)	(888,044)
Net cash inflow from operating activities		**1,674,592**	**2,694,683**
Cash flow from investing activities			
Rent, interest and dividend received		6,031,368	5,247,934
Dividends received from associates	18 (i)	768,750	740,889
Proceeds from sale of quoted equity investments		158,279	368,332
Proceeds from disposal of property and equipment		1,655	812
Proceeds from part redepmtions/(additions) of shares in associate	18 (i)	-	(108,932)
Purchase of property and equipment and intangible assets	16	(219,285)	(205,984)
Net additions of investment properties	17	(162,731)	(84,699)
Purchase of quoted equity investments	20	(59,734)	(330,745)
Sale/(Purchase) of unquoted equity investments	19	3,497	(11,784)
Mortgage loans advanced	21 (i)	(22,932)	(34,307)
Mortgage loans repaid	21 (i)	9,799	8,498
Loans on life insurance policies advanced	21 (ii)	(283,342)	(232,528)
Loans on life insurance policies repaid	21 (ii)	61,811	99,028
Net purchase of government securities	22	(10,086,901)	(7,665,194)
Net proceeds/(purchase) of commercial bonds	23	435,098	(163,269)
Net cash outflow from investing activities		**(3,364,668)**	**(2,371,949)**
Cash flow from financing activities			
Settlement of borrowings	32	-	(1,373,680)
Dividends paid		(560,018)	(515,097)
Net cash outflow from financing activities		**(560,018)**	**(1,888,777)**
Decrease in cash and cash equivalents		**(2,250,094)**	**(1,566,043)**
Cash and cash equivalents at start of year	27	10,890,580	12,146,381
Exchange gain on translation of cash and cash equivalents in foreign currencies	14 (c)	(313,637)	310,242
Cash and cash equivalents at end of year	**27**	**8,326,849**	**10,890,580**

The notes on pages 37 to 97 are an integral part of these financial statements.

1. GENERAL INFORMATION

Jubilee Holdings Limited is a limited liability company incorporated and domiciled in Kenya. The address of its registered office is: Jubilee Insurance House, Wabera Street, Nairobi, Kenya. The Company has a primary listing on the Nairobi Securities Exchange and is cross-listed on the Uganda Securities Exchange and Dar es Salaam Stock Exchange.

The Company through its subsidiaries and associates (together forming the Group) underwrites Life and non-life insurance risks, such as those associated with death, disability, health, property and liability. The Group also issues a diversified portfolio of investment contracts to provide its customers with asset management solutions for their savings and retirement needs. All these products are offered to both domestic and foreign markets. It has operations in Kenya, Uganda, Tanzania, Burundi and Mauritius and employs over 986 (2015:878) people through its subsidiaries.

The insurance business of the Group is organized into two main divisions, short-term (general) business and long-term (life) business. Long-term business relates to the underwriting of life risks relating to insured persons, the issue of investment contracts and the administration of pension funds. Short-term business relates to all other categories of insurance business written by the Group, analyzed into several sub-classes of business based on the nature of the assumed risks.

With a view to diversifying the Group's income base, operational activities have been extended to include fund management, property development and management, power generation and international fibre optic broadband cable connectivity.

Within these financial statements and the notes to the financial statements the words "consolidated" and "Group" have been used inter-changeable to mean the Company and its subsidiaries.

For purposes of the Kenya Companies Act, 2015 reporting purposes, the balance sheet is represented by statement of financial position while the profit and loss account is represented by the statements of profit or loss and other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out in Note 38 and apply to the Group and the Company. These policies have been consistently applied to all years presented, unless otherwise stated.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments 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. The critical accounting estimates and assumptions applied in the year are:

a) Insurance contracts liabilities

The estimation of future benefit payments from long-term insurance contracts is the Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims.
Management applies judgment in the estimation of incurred but not yet reported claims (IBNR) whereby the Group uses historical experience to estimate the ultimate cost of claims and the IBNR provision. This involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to claims data for each accident year that is not fully developed to produce an estimated ultimate claims cost for each accident year. Note 29 contains further details on the estimation of insurance liabilities.

The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Group. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard mortality tables that reflect historical mortality experience. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that epidemics such as AIDS could result in future mortality being significantly worse than in the past for the age groups in which the Group has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group is exposed to longevity risk.

For contracts without fixed terms, the Group will be able to increase mortality risk charges in future years in line with emerging mortality experience.

Under certain contracts, the Group has offered guaranteed annuity options. In determining the value of these options, estimates have been made as to the percentage of contract holders that will exercise them. There is not enough historical information available on which to base these estimates. Changes in investment conditions could result in significantly more contract holders exercising their options than has been assumed.

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

b) Income tax

The Group is subject to income taxes in various jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

c) Measurement of fair value

Valuation of investment property

Investment property comprises freehold land and buildings carried at fair value. Fair value is based on valuation performed by an independent valuation expert. In performing the valuation the valuer uses discounted cash flow projections which incorporate assumptions around the continued demand for rental space, sustainability of growth in rent rates as well as makes reference to recent sales. The change in these assumptions could result in a significant change in the carrying value of investment property. Management monitors the investment property market and economic conditions that may lead to significant change in fair value, and conducts a formal and independent property valuation at least once every three years and adjusts the recorded fair values accordingly for any significant change.

Valuation of unquoted equity investments

The Group uses valuation techniques for valuing unquoted shares that are not based on observable market data. The Group reviewed several valuation techniques and selected a value that is based on discounted cash flow. The critical management judgment is in the selection of the discount rate and the growth rate applied and the determination of normalized earnings for the underlying investments.

d) Receivables

Critical estimates are made by the Directors in determining the recoverable amount of the impaired receivable. The process is set out in Note 38.10. The carrying amount of the receivables are shown on Note 4 (c) and Note 26.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

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

This section summarises the way the Group manages key risks:

(i) Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For contracts without fixed terms, it is assumed that the Group will be able to increase mortality risk charges in future years in line with emerging mortality experience.

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments. The average estimated rate of investment return is 12% p.a. In Kenya, were the average future investment returns to decrease by 1% from management's estimates, the insurance liability would increase by Kshs 47.3 million (2015: Kshs 42.4 million) while significant enough deterioration in estimates is immediately recognized to make the liabilities adequate.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(i) Insurance risk (continued)

The following tables disclose the maximum insured risk (sum assured) by the class of business in which the contract holder operates and included in the terms of the policy. The amounts are the carrying amounts of the insurance liabilities (gross and net of reinsurance) arising from insurance.

Year ended 31 December 2016		**Maximum insured loss**				
Class of business						
General Insurance business		**Kshs 0m - Kshs 15m Kshs'000**	**Kshs 15m - Kshs 250m Kshs'000**	**Kshs 250m - Kshs 1000m Kshs'000**	**Kshs 1000m + Kshs'000**	**Total Kshs'000**
Motor	Gross	61,522,226	38,470,323	6,060,030	933,185	106,985,764
	Net	38,173,222	28,053,780	5,038,504	41,033	71,306,539
Fire	Gross	19,655,140	125,077,724	115,872,876	982,928,522	1,243,534,262
	Net	16,421,844	97,961,483	40,904,417	66,150,447	221,438,191
Personal accident	Gross	2,974,116	64,915,299	21,123,879	223,706,195	312,719,489
	Net	2,137,766	55,155,172	15,123,585	25,693,316	98,109,839
Other	Gross	75,480,632	252,834,134	143,820,261	844,731,147	1,316,866,174
	Net	44,121,396	179,750,450	85,534,307	270,059,041	579,465,194
Life assurance business						
Ordinary life	Gross	24,830,597	1,982,614	8,230	-	26,821,441
	Net	24,160,037	1,655,215	-	-	25,815,252
Group life	Gross	1,524,138,031	428,342,475	15,683,836	2,405,925	1,970,570,267
	Net	994,128,936	158,976,443	5,000	-	1,153,110,379
Other	Gross	-	-	-	-	-
	Net	-	-	-	-	-
Total	**Gross**	**1,708,600,742**	**911,622,569**	**302,569,112**	**2,054,704,974**	**4,977,497,397**
	Net	**1,119,143,201**	**521,552,543**	**146,605,813**	**361,943,837**	**2,149,245,394**

Year ended 31 December 2015		**Maximum insured loss**				
Class of business						
General Insurance business		**Kshs 0m - Kshs 15m Kshs'000**	**Kshs 15m - Kshs 250m Kshs'000**	**Kshs 250m - Kshs 1000m Kshs'000**	**Kshs 1000m + Kshs'000**	**Total Kshs'000**
Motor	Gross	52,200,394	10,421,380	5,119,087	1,204,820	68,945,681
	Net	40,125,762	10,421,380	5,119,087	1,204,820	56,871,049
Fire	Gross	21,577,613	112,269,155	85,561,036	184,646,563	404,054,367
	Net	17,347,822	66,692,651	12,540,980	4,500,000	101,081,453
Personal accident	Gross	3,774,980	45,370,406	8,366,345	2,569,142	60,080,873
	Net	2,987,447	45,370,406	8,366,345	2,569,142	59,293,340
Other	Gross	49,673,831	236,943,002	135,879,500	588,540,806	1,011,037,139
	Net	34,838,073	143,471,829	83,580,772	254,540,566	516,431,240
Life assurance business						
Ordinary life	Gross	18,367,649	431,044	-	-	18,798,693
	Net	17,794,116	115,755	-	-	17,909,871
Group life	Gross	898,744,542	247,369,430	793,073	-	1,146,907,045
	Net	659,820,253	115,605,041	531,080	-	775,956,374
Other	Gross	-	-	-	-	-
	Net	-	-	-	-	-
Total	**Gross**	**1,044,339,009**	**652,804,417**	**235,719,041**	**776,961,331**	**2,709,823,798**
	Net	**772,913,473**	**381,677,062**	**110,138,264**	**262,814,528**	**1,527,543,327**

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(ii) Financial risk

The Group is exposed to financial risk through its financial assets, financial liabilities (investment contracts and borrowings), reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts.

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 Group primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk.

The Group manages these positions within an asset liability management (ALM) framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts. The principal technique of the Group's ALM is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders. For each distinct category of liabilities, a separate portfolio of assets is maintained.

The Group has exposure to the following risks arising from financial instruments:

(a) Market risk

(i) Foreign exchange risk

The Group operates regionally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, Uganda shilling and Tanzania Shilling. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

The Group manages foreign exchange risk arising from future commercial transactions and recognized assets and liabilities using forward contracts, but has not designated any derivative instruments as hedging instruments. Currency exposure arising from the net assets of foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

The Group had the following significant foreign currency positions (all amounts expressed in Kenya Shillings thousands):

Exchange Risk **As at 31 December 2016:**	**US Dollar** **Kshs'000**	**Uganda Shillings** **Kshs'000**	**Tanzania Shillings** **Kshs'000**	**Mauritius Rupees** **Kshs'000**	**Burundi Francs** **Kshs'000**	**Total** **Kshs'000**
ASSETS						
Receivables arising out of reinsurance arrangements	-	163,486	204,280	69,047	-	436,813
Deferred acquisition costs	-	-	-	26,448	-	26,448
Deposit with financial institutions	569,395	1,425,676	557,293	22,721	330,208	2,905,293
Cash and bank balances	-	457,033	32,808	198,669	100,374	788,884
Total assets	**569,395**	**2,046,195**	**794,381**	**316,885**	**430,582**	**4,157,438**
LIABILITIES						
Provision for unearned premium	-	1,222,715	1,431,059	337,009	151,839	3,142,622
Insurance contract liabilities	-	1,875,682	1,355,696	190,010	116,379	3,537,767
Deferred acquisition costs	-	27,513	20,004	-	9,921	57,438
Creditors arising out of reinsurance arrangements	-	345,013	170,444	34,918	195,089	745,464
Borrowings	-	-	-	-	-	-
Total liabilities	**-**	**3,470,923**	**2,977,203**	**561,937**	**473,228**	**7,483,291**
Net position	**569,395**	**(1,424,728)**	**(2,182,822)**	**(245,052)**	**(42,646)**	**(3,325,853)**

As at 31 December 2015:	**US Dollar** **Kshs'000**	**Uganda Shillings** **Kshs'000**	**Tanzania Shillings** **Kshs'000**	**Mauritius Rupees** **Kshs'000**	**Burundi Francs** **Kshs'000**	**Total** **Kshs'000**
ASSETS						
Receivables arising out of reinsurance arrangements	-	155,807	63,731	54,970	62,723	337,231
Deferred acquisition costs	-	151,033	-	9,620	7,688	168,341
Deposit with financial institutions	850,337	834,323	190,996	28,309	-	1,903,965
Cash and bank balances	-	58,959	12,606	96,435	-	168,000
Total assets	**850,337**	**1,200,122**	**267,333**	**189,334**	**70,411**	**2,577,537**
LIABILITIES						
Provision for unearned premium	-	1,394,951	21,886	368,739	34,439	1,820,015
Insurance contract liabilities	-	1,590,990	122,409	262,604	36,526	2,012,529
Creditors arising out of reinsurance arrangements	-	275,089	90,691	87,575	-	453,355
Total liabilities	**-**	**3,261,030**	**234,986**	**718,918**	**70,965**	**4,285,899**
Net position	**850,337**	**(2,060,908)**	**32,347**	**(529,584)**	**(554)**	**(1,708,362)**

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(ii) Financial risk (continued)

(a) Market Risk (continued)

(i) Foreign exchange risk (continued)

Company

Exchange Risk As at 31 December 2016:	US Dollar Kshs'000	Uganda Shillings Kshs'000	Tanzania Shillings Kshs'000	Mauritius Rupees Kshs'000	Burundi Francs Kshs'000	Total Kshs'000
ASSETS						
Due from related parties	-	-	2,449	1,597	80,633	84,679
Deposit with financial institutions	2,322	-	-	-	-	2,322
Cash and bank balances	-	4,630	-	1	-	4,631
Total assets	**2,322**	**4,630**	**2,449**	**1,598**	**80,633**	**91,632**
LIABILITIES						
Due to related parties	-	808,191	22,481	-	-	830,672
Total liabilities	**-**	**808,191**	**22,481**	**-**	**-**	**830,672**
Net position	**2,322**	**(803,561)**	**(20,032)**	**1,598**	**80,633**	**(739,040)**

As at 31 December 2015:	US Dollar Kshs'000	Uganda Shillings Kshs'000	Tanzania Shillings Kshs'000	Mauritius Rupees Kshs'000	Burundi Francs Kshs'000	Total Kshs'000
ASSETS						
Due from related parties	-	-	2,137	44,785	101,159	148,081
Deposit with financial institutions	2,268	-	-	-	-	2,268
Cash and bank balances	-	4,036	-	1	-	4,037
Total assets	**2,268**	**4,036**	**2,137**	**44,786**	**101,159**	**154,386**
LIABILITIES						
Due to related parties	-	187,017	21,045	-	-	208,062
Total liabilities	**-**	**187,017**	**21,045**	**-**	**-**	**208,062**
Net position	**2,268**	**(182,981)**	**(18,908)**	**44,786**	**101,159**	**(53,676)**

At 31 December 2016, if the Shilling had weakened/strengthened by 10% against the US dollar with all other variables held constant, the post-tax profit for the year would have been Kshs 39.3 million (2015: Kshs 36.2 million) higher/lower, mainly as a result of US dollar receivables and bank balances in the Kenyan entity.

	Average Rate		Closing Rate	
	2016	**2015**	**2016**	**2015**
	Kshs	**Kshs**	**Kshs**	**Kshs**
US Dollar	101.5007	98.5946	102.4858	102.3114
Ugandan Shilling	34.1304	31.7354	35.2732	32.9876
Tanzanian Shilling	21.1820	20.0532	21.2518	21.1121
Mauritian Rupee	2.7229	2.7152	2.7237	2.7221
Burundi Franc	15.6848	16.0269	16.3468	15.0228

(ii) Price risk

The Group is exposed to equity securities price risk because of investments in quoted and unquoted shares classified either as financial assets at fair value through other comprehensive income or at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity and debt securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with limits set by the Group. All quoted shares held by the Group are traded on the Nairobi Securities Exchange (NSE), the Uganda Securities Exchange (USE) and Dar es Salaam Stock Exchange (DSE).

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(ii) Financial risk (continued)

(a) Market risk (continued)

(ii) Price risk (continued)

Group

At 31 December 2016, if the NSE, indices had increased/decreased by 8% (2015:8%) with all other variables held constant and all the Group's equity instruments moved according to the historical correlation to the index, the post-tax profit would have been Kshs 102.7 million (2015: Kshs 70.8 million) higher/lower and equity would have been Kshs 440.6 million (2015: Kshs 613.4 million) higher/lower. The Group also has investment in the USE and DSE. The change of price in these stock exchanges would not materially affect the Group.

Company

At 31 December 2016 the Company did not hold any shares in the Nairobi Securities Exchange. If the USE and DSE indices had increased/ decreased by 8% with all other variables held constant, all the companies' equity instruments moved according to the historical correlation to the index, than equity movement would not have been significant.

(b) Cash flow and fair value interest rate risk

Fixed interest rate financial instruments expose the Group to fair value interest rate risk. Variable interest rate financial instruments expose the Group to cash flow interest rate risk.

The Group's fixed interest rate financial instruments are government securities, deposits with financial institutions and corporate bonds.

The Group's variable interest rate financial instruments are some of the quoted corporate bonds.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

For liabilities under long-term insurance contracts with fixed and guaranteed terms, changes in interest rate will not cause a change to the amount of the liability, unless the change is severe enough to trigger a liability adequacy test adjustment. The level of the reduction of the level of interest rate that will trigger an adjustment is an interest rate of 1%. An additional liability of Kshs 165 million (2015: Kshs 261 million) would be required as a result of a further worsening of 20% in mortality, in the Jubilee Kenya portfolio, which contributes ninety-five percent of the long-term insurance business.
Investment contracts with fixed and guaranteed terms, government securities and deposits with financial institutions held to maturity are accounted for at amortized cost and their carrying amounts are not sensitive to changes in the level of interest rates.
At 31 December 2016, if interest rates on quoted corporate bonds at that date had been 5% (2015:5%) higher/lower with all other variables held constant, post-tax profit for the year would have been Kshs 0.7 million (2015: Kshs 7.4 million) higher/lower, mainly as a result of higher/lower interest income on floating rate quoted corporate bonds. The majority of quoted corporate bonds are held in the Kenyan insurance entity, and is the basis of sensitive applied above.

(c) Credit risk

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

- Receivables arising out of direct insurance arrangements;
- Receivables arising out of reinsurance arrangements; and
- Reinsurers' share of insurance liabilities.

Other areas where credit risk arises include cash and cash equivalents, corporate bonds and deposits with banks and other receivables.
Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The credit worthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Group. Management information reported to the Group includes details of provisions for impairment on loans and receivables and subsequent write-offs. Internal audit makes regular reviews to assess the degree of compliance with the Group procedures on credit. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Group risk department.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

ii) Financial risk (continued)

(c) Credit risk (continued)

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings if available or historical information about counterparty default rates. None of the Group's credit risk counter parties are rated except some Governments of countries it operate in, the issuer of the Group's government securities which has B+ and B rating for the Government of Kenya and the Government of Uganda respectively. The Group classifies counterparties without an external credit rating as below:

Group 1 - new customers/related parties.
Group 2 - existing customers/related parties with no defaults in the past.
Group 3 - existing customers/related parties with some defaults in the past. All defaults were fully recovered.

The amount that best represents the Group's and Company's maximum exposure to credit risk at 31 December 2016 is made up as follows:

		Group		Company	
Maximum exposure to credit risk before collateral held	**Credit rating/ Classification**	**2016 Kshs '000**	**2015 Kshs '000**	**2016 Kshs '000**	**2015 Kshs '000**
Receivables arising out of reinsurance arrangements	Group 2	2,805,793	2,179,849	-	-
Receivables arising out of direct insurance arrangements	Group 2	4,810,755	4,214,950	-	-
Reinsurers' share of insurance liabilities	Group 2	6,891,960	6,641,579	-	-
Government securities at amortised cost	Group 2	39,666,112	29,604,698	-	-
Commercial bonds	Group 2	1,423,678	1,859,070	-	-
Cash and bank balances	Group 2	964,960	701,114	20,844	93,818
Loans on life insurance policies	Group 2	716,367	495,153	-	-
Mortgage loans	Group 2	79,869	67,524	-	-
Deposits with financial institutions	Group 2	7,247,623	10,029,209	12,345	23,731
Other receivables	Group 2	1,155,071	953,562	48,706	12,159
Totals		**65,762,188**	**56,746,708**	**81,895**	**129,708**

Surrender values of the life insurance policies and title documents are held as collateral for loans on life policies and mortgage loans respectively. 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 for the following amounts in;

- Receivables arising out of direct insurance arrangements (which are due on inception of insurance cover); and
- Receivables arising out of reinsurance arrangements.

Receivables arising out of direct insurance and re-insurance arrangements are summarized as follows:

	Direct Insurance Arrangements		Reinsurance Arrangements	
	2016	**2015**	**2016**	**2015**
	Kshs '000	**Kshs '000**	**Kshs '000**	**Kshs '000**
Neither past due nor impaired	1,507,064	1,882,724	419,766	295,395
Past due but not impaired	3,303,691	2,332,226	2,386,027	1,884,454
Impaired	662,330	565,788	9,610	9,610
Gross	**5,473,085**	**4,780,738**	**2,815,403**	**2,189,459**
Less: allowance for impairment	(662,330)	(565,788)	(9,610)	(9,610)
Net	**4,810,755**	**4,214,950**	**2,805,793**	**2,179,849**

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

ii) Financial risk (continued)

(c) Credit risk (continued)

Movements on the provision for impairment of receivables are as follows

	Direct Insurance Arrangements		Reinsurance Arrangements	
	2016	2015	2016	2015
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
At start of year	565,788	427,205	9,610	9,610
Increase in the year	96,542	138,583	-	-
At end of year	**662,330**	**565,788**	**9,610**	**9,610**

Receivables arising out of insurance arrangements past due but not impaired:

	Direct Insurance Arrangements		Reinsurance Arrangements	
	2016	2015	2016	2015
Past due but not impaired:	Kshs '000	Kshs '000	Kshs '000	Kshs '000
- by up to 30 days	735,623	659,786	444,020	773,379
- by 31 to 60 days	602,506	581,203	32,719	1,973
- by 61 to 150 days	1,421,644	672,034	255,197	35,442
- by 151 to 360 days	543,918	419,203	1,654,091	1,073,660
Total past due but not impaired	**3,303,691**	**2,332,226**	**2,386,027**	**1,884,454**

All receivables past due by more than 360 days are considered to be impaired, and are carried at their estimated recoverable value. No collateral is held in respect of receivables arising out of direct or reinsurance arrangements.

Receivables arising out of direct insurance arrangements individually impaired;

Of the total gross amount of impaired receivables, the following amounts have been individually assessed:

	Direct Insurance Arrangements		Reinsurance Arrangements	
	2016	2015	2016	2015
Individually assessed impaired receivables	Kshs '000	Kshs '000	Kshs '000	Kshs '000
- brokers	573,331	262,405	-	-
- agents	38,012	45,168	-	-
- insurance companies	-	234,304	9,610	9,610
- direct clients	50,987	23,911	-	-
Total	**662,330**	**565,788**	**9,610**	**9,610**

(d) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdraw.

The Group is exposed to daily calls on its available cash for claims settlement and other administration expenses. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum level of bank overdraft facilities that should be in place to cover expenditure at unexpected levels of demand.

The table below presents the cash flows payable by the Group under financial liabilities by remaining contractual maturities (other than insurance contract liabilities which are based on expected maturities) at the financial reporting date. The amounts disclosed are the contractual undiscounted cash flows.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

ii) Financial risk (continued)

(d) Liquidity risk (continued)

GROUP

Year ended 31 December 2016	Up to 1 month Kshs '000	1 to 3 months Kshs '000	3 to 12 months Kshs '000	1 to 5 years Kshs '000	Total Kshs '000
Insurance contract liabilities	-	7,407.00	5,620,372	14,653,282	20,281,061
Payable under deposit administration contracts	7,550	8,560.00	229,121	35,743,123	35,988,354
Creditors arising out of direct insurance arrangements	282,915	-	-	10,109	293,024
Creditors arising out of reinsurance arrangements	372,853	17,413.00	282,392	663,594	1,336,252
Dividend and other payables	1,355,844	15,417	194,392	670,609	2,236,262
Totals	**2,019,162**	**48,797**	**6,326,277**	**51,740,717**	**60,134,953**

Year ended 31 December 2015	Up to 1 month Kshs '000	1 to 3 months Kshs '000	3 to 12 months Kshs '000	1 to 5 years Kshs '000	Total Kshs '000
Insurance contract liabilities	30,753	6,992	122,808	18,548,610	18,709,163
Payable under deposit administration contracts	-	-	201,260	30,756,840	30,958,100
Creditors arising out of direct insurance arrangements	-	-	-	137,591	137,591
Creditors arising out of reinsurance arrangements	-	-	-	1,449,481	1,449,481
Dividend and other payables	265,928	13,326	-	2,277,517	2,556,771
Totals	**296,681**	**20,318**	**324,068**	**53,170,039**	**53,811,106**

COMPANY

Year ended 31 December 2016	Up to 1 month Kshs '000	1 to 3 months Kshs '000	3 to 12 months Kshs '000	1 to 5 years Kshs '000	Total Kshs '000
Due to related parties	833,924	-	-	-	833,924
Dividend and other payables	325,515	13,457	-	-	338,972
Totals	**1,159,439**	**13,457**	**-**	**-**	**1,172,896**

Year ended 31 December 2015	Up to 1 month Kshs '000	1 to 3 months Kshs '000	3 to 12 months Kshs '000	1 to 5 years Kshs '000	Total Kshs '000
Due to related parties	435,158	-	-	-	435,158
Dividend and other payables	269,627	13,324	-	-	282,951
Totals	**704,785**	**13,324**	**-**	**-**	**718,109**

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

ii) Financial risk (continued)

(e) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity investments classified as fair value through profit or loss and fair value through other comprehensive income. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

GROUP

31 December 2016	Carrying Amount					Fair value heirarchy			
	Designated at fair value through profit or loss Kshs '000	Amortised cost Kshs '000	Designated at fair value through OCI Kshs '000	Other financial liabilities Kshs '000	Total Kshs '000	Level 1 Kshs '000	Level 2 Kshs '000	Level 3 Kshs '000	Total Kshs '000
Financial assets measured at fair value									
Equity securities	7,449,380	-	1,088,473	-	8,537,853	5,627,929	-	2,909,924	8,537,853
Financial assets not measured at fair value									
Mortgage loans	-	79,869	-	-	79,869	-	79,869	-	79,869
Loans on life insurance policies	-	716,367	-	-	716,367	-	716,367	-	716,367
Government securities	-	39,666,112	-	-	39,666,112	32,430,009	-	-	32,430,009
Commercial bonds	-	1,423,678	-	-	1,423,678	1,422,261	-	-	1,422,261
Other receivables	-	1,241,065	-	-	1,241,065	-	1,241,065	-	1,241,065
Insurance and reinsurance receiveables	-	7,616,548	-	-	7,616,548	-	7,616,548	-	7,616,548
Deposits with financial institutions and cash and bank balances	-	8,212,583	-	-	8,212,583	-	8,212,583	-	8,212,583
	7,449,380	**58,956,222**	**1,088,473**	**-**	**67,494,075**	**39,480,199**	**17,866,432**	**2,909,924**	**60,256,555**
Financial liabilities not measured at fair value									
Other payables	-	-	-	(1,910,747)	(1,910,747)	-	(1,910,747)	-	(1,910,747)
Dividend payable	-	-	-	(325,515)	(325,515)	-	(325,515)	-	(325,515)
	-	**-**	**-**	**(2,236,262)**	**(2,236,262)**	**-**	**(2,236,262)**	**-**	**(2,236,262)**

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

ii) Financial risk (continued)

(e) Fair value estimation (continued)

GROUP

	Carrying Amount					Fair value heirarchy			
31 December 2015	**Designated at fair value through profit or loss**	**Amortised cost**	**Designated at fair value through OCI**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	Kshs '000	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**
Financial assets measured at fair value									
Equity securities	9,121,670	-	1,481,748	-	10,603,418	7,823,826	-	2,779,592	10,603,418
Financial assets not measured at fair value									
Mortgage loans	-	67,524	-	-	67,524	-	67,524	-	67,524
Loans on life insurance policies	-	495,153	-	-	495,153	-	495,153	-	495,153
Government securities	-	29,604,698	-	-	29,604,698	27,850,027	-	-	27,850,027
Commercial bonds	-	1,859,070	-	-	1,859,070	229,072	1,629,998	-	1,859,070
Other receivables	-	1,035,593	-	-	1,035,593	-	1,035,593	-	1,035,593
Insurance and reinsurance receiveables	-	6,394,799	-	-	6,394,799	-	6,394,799	-	6,394,799
Deposits with financial institutions and cash and bank balances	-	10,730,323	-	-	10,730,323	-	10,730,323	-	10,730,323
	9,121,670	**50,187,160**	**1,481,748**	**-**	**60,790,578**	**35,902,925**	**20,353,390**	**2,779,592**	**59,035,907**
Financial liabilities not measured at fair value									
Other payables	-	-	-	(2,287,144)	(2,287,144)	-	(2,287,144)	-	(2,287,144)
Dividend payable	-	-	-	(269,627)	(269,627)	-	(269,627)	-	(269,627)
	-	**-**	**-**	**(2,556,771)**	**(2,556,771)**	**-**	**(2,556,771)**	**-**	**(2,556,771)**

MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

ii) Financial risk (continued)

(e) Fair value estimation (continued)

COMPANY

31 December 2016	Carrying Amount: Designated at fair value through profit or loss Kshs '000	Amortised cost Kshs '000	Designated at fair value through OCI Kshs '000	Other financial liabilities Kshs '000	Total Kshs '000	Fair value heirarchy: Level 1 Kshs '000	Level 2 Kshs '000	Level 3 Kshs '000	Total Kshs '000
Financial assets measured at fair value									
Equity securities	-	-	39,473	-	39,473	11,874	-	27,599	39,473
Financial assets not measured at fair value									
Other receivables	-	50,206	-	-	50,206	-	50,206	-	50,206
Deposits with financial institutions and cash and bank balances	-	33,189	-	-	33,189	-	33,189	-	33,189
	-	**83,395**	**39,473**	**-**	**122,868**	**11,874**	**83,395**	**27,599**	**122,868**
Financial liabilities not measured at fair value									
Other payables	-	-	-	(13,457)	(13,457)	-	(13,457)	-	(13,457)
Dividend payable	-	-	-	(325,515)	(325,515)	-	(325,515)	-	(325,515)
	-	**-**	**-**	**(338,972)**	**(338,972)**	**-**	**(338,972)**	**-**	**(338,972)**

31 December 2015	Carrying Amount: Designated at fair value through profit or loss Kshs '000	Amortised cost Kshs '000	Designated at fair value through OCI Kshs '000	Other financial liabilities Kshs '000	Total Kshs '000	Fair value heirarchy: Level 1 Kshs '000	Level 2 Kshs '000	Level 3 Kshs '000	Total Kshs '000
Financial assets measured at fair value									
Equity securities	-	-	39,622	-	39,622	16,056	-	23,566	39,622
Financial assets not measured at fair value									
Other receivables	-	12,159	-	-	12,159	-	12,159	-	12,159
Deposits with financial institutions and cash and bank balances	-	117,549	-	-	117,549	-	117,549	-	117,549
	-	**129,708**	**39,622**	**-**	**169,330**	**16,056**	**129,708**	**23,566**	**169,330**
Financial liabilities not measured at fair value									
Other payables	-	-	-	(13,324)	(13,324)	-	(13,324)	-	(13,324)
Dividend payable	-	-	-	(269,627)	(269,627)	-	(269,627)	-	(269,627)
	-	**-**	**-**	**(282,951)**	**(282,951)**	**-**	**(282,951)**	**-**	**(282,951)**

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

ii) Financial risk (continued)

(e) Fair value estimation (continued)

Specific valuation techniques used to value financial and non-financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Note that all of the resulting fair value estimates are included in level 2 except for certain unquoted shares and investment property as explained below.

Valuation of unquoted shares

The Group uses valuation techniques for valuing unquoted shares that are not based on observable market data. The Group reviewed several valuation techniques and selected a value that is based on discounted cash flow. The critical management judgment is in the selection of the discount rate and the growth rate applied and the determination of normalized earnings for the underlying investments.

In accordance with the transitional provisions of IFRS 13, the Group has applied the Level 3 fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. The table below shows the valuation techniques used in measuring fair vales as well as significant unobservable inputs used:

Valuation technique	Significant unobservable inputs	Inter-relationships between unobservable inputs and fair value measurements
(a) Unquoted Shares ***Discounted cash flows:*** The valuation model considers the present value of net cash flows to be generated by the unquoted entities. The net cash flows are discounted using the risk adjusted discount rate.	1. Expected growth rate of the earnings of 7% 2. Discount rate used on the expected cashflow – 12.5% - 13.5%	The estimated fair values would increase / (decrease) if: 1. Expected earnings and cash flows growth were higher /(lower) 2. Risk-adjusted discount rate was lower / (higher)
(b) Investment property ***Discounted cash flows:*** The valuation model considers the present value of net cash flows to be generated from the property taking into account expected rental growth, occupancy rates and other costs not paid by tenants. The net cash flows are discounted using the risk adjusted discount rate.	1. Expected market rental growth – 3.75% - 6% 2. Occupancy rates (90% - 95%) 3. Risk-adjusted discount rate (9%)	The estimated fair values would increase / (decrease) if: 1. Expected rental growth were higher / (lower) 2. Occupancy rates were higher / (lower) 3. Risk-adjusted discount rate was lower / (higher)
(c) Leasehold land held for value appreciation and development. ***Market approach:*** The valuation model uses prices and other relevant information generated by market transactions involving identical or similar assets. The fair value is determined as the price that would be paid to sell the land in an orderly transaction to market participants.	1. Property prices in the locality 2. Infrastructure developments	The estimated fair values would increase / (decrease); 1. If property prices were higher / (lower) 2. Increase with improvements in infrastructure.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

ii) Financial risk (continued)

(e) Fair value estimation (continued)

Please refer to Note 17 on investment property
The following table presents the changes in level 3 financial instruments for the year ended 31 December 2016:

GROUP

	Unquoted shares 2016 Kshs '000	Unquoted shares 2015 Kshs '000
Opening balance	2,779,592	2,441,866
Additions	-	11,784
Disposals	(3,497)	-
Gains and losses recognised in other comprehensive income	4,034	8,742
Gains and losses recognised in profit or loss	132,039	328,012
Exchange differences	(2,244)	(10,812)
Closing balance (Note 19)	**2,909,924**	**2,779,592**
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period (Note 19)	132,039	328,012

COMPANY

	Unquoted shares 2016 Kshs '000	Unquoted shares 2015 Kshs '000
Opening balance	23,565	12,007
Additions	-	2,816
Gains and losses recognised in other comprehensive income	4,034	8,742
Closing balance (Note 19)	**27,599**	**23,565**
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period (Note 19)	-	-

(f) Capital risk management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the statement of financial position, are to:

- Comply with the capital requirements as set out in the regulations of the jurisdictions in which the Group entities operate;
- Comply with regulatory solvency requirements as set out in the Insurance Act;
- Safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders; and
- Provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

The table below summarises the minimum required capital across the Group and the capital held against each of them as at 31 December 2015 and 2016. These figures are an aggregate number, being the sum of the statutory capital and surplus for each insurance company in each country subject to local regulatory requirements, which may differ from jurisdiction to jurisdiction. The current year is, in general, an estimate that is updated once calculations prepared for the regulators are final.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

ii) Financial risk (continued)

(f) Capital risk management (continued)

	2016					
	Kenya	**Uganda**	**Tanzania**	**Burundi**	**Mauritius**	**Total**
	Kshs '000	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**
Amount of paid up capital	2,500,000	392,706	214,958	92,969	310,465	3,511,098
Regulatory capital requirements	1,000,000	228,947	117,442	92,969	275,561	1,714,919

	2015					
	Kenya	**Uganda**	**Tanzania**	**Burundi**	**Mauritius**	**Total**
	Kshs '000	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**
Amount of paid up capital	2,500,000	392,706	214,958	92,969	310,465	3,511,098
Regulatory capital requirements	1,000,000	228,947	117,442	92,969	275,561	1,714,919

The Group has different requirements depending on the country in which it operates. The three main countries are Kenya, Uganda and Tanzania.

Kenya

In Kenya the Insurance Act requires each insurance Company to hold the minimum level of paid up capital as follows;

- Composite insurance companies KShs1billion;
- Short term insurance business companies KShs 600 million; and
- Long term insurance business companies KShs 400 million

Under the Risk Based Solvency requirements, solvency is determined based on the volume of business or implied risk of the asset as determined by the regulator. Insurance companies are required to hold capital equal to 100% of the higher of absolute minimum capital, volume of business or risk based capital minimum. During the year the Company held more than the minimum paid up capital required as well surpassed the required solvency margins to stand at 153% and 121% for the short-term and long term business' respectively.

Uganda

In Uganda, statutory capital is based on Section 6 of the Insurance Act, 2011. The two insurance companies in Uganda complied with this requirement during the year.

The Insurance Act, 2011further requires that 2% of the gross written premium or15% of the net profit, whichever is greater, be transferred to the contingency reserve until it equals the minimum paid up capital or 50% of the current year's net written premium, whichever is higher

Additional, for short-term company, the Insurance Act, 2011 requires that 5% of the net profit for the year be transferred to the capital reserve.

Tanzania

In Tanzania, capital requirement is regulated by regulations 27 (2) (a) of the Insurance Regulations and 27 (2) (b) on contingency reserve. General insurance businesses are required to transfer 20% of their net profit to the capital reserve and 3% on the net premium or 20% of net profit, whichever is higher, to the contingency reserve.

Long term insurance businesses are required to transfer 1% on premium to the contingency reserve.

5. SEGMENT INFORMATION

OPERATING SEGMENTS

2016:

	GROUP Kshs '000			
For the year ended 31 December 2016	**General**	**Ordinary, Group Life & Pensions**	**Investments**	**Total**
Gross earned premium revenue	21,785,409	5,122,236	-	26,907,645
Outward reinsurance	(8,653,708)	(672,708)	-	(9,326,416)
Net insurance premium revenue	**13,131,701**	**4,449,528**	**-**	**17,581,229**
Investment and other income	1,188,942	5,044,476	467,226	6,700,644
Net fair value loss on financial assets	(189,700)	(1,422,426)	-	(1,612,126)
Commission earned	1,834,023	200,092	-	2,034,115
Total income	**15,964,966**	**8,271,670**	**467,226**	**24,703,862**
Claims and policy holders benefits payable	(14,408,798)	(5,521,940)	-	(19,930,738)
Claims recoverable from re-insurers	5,581,071	384,136	-	5,965,207
Net insurance benefits and claims	**(8,827,727)**	**(5,137,804)**	**-**	**(13,965,531)**
Operating and other expenses	(2,935,009)	(1,163,828)	(122,000)	(4,220,837)
Commission payable	(2,440,109)	(945,432)	-	(3,385,541)
Total expenses and commissions	**(5,375,118)**	**(2,109,260)**	**(122,000)**	**(7,606,378)**
Result of operating activities	**1,762,121**	**1,024,606**	**345,226**	**3,131,953**
Finance costs	-	-	-	-
Share of result of associates	180,172	170,101	1,080,479	1,430,752
Group profit before income tax	**1,942,293**	**1,194,707**	**1,425,705**	**4,562,705**
Income tax expense	(561,221)	(271,461)	(54,076)	(886,758)
Profit for the year	**1,381,072**	**923,246**	**1,371,629**	**3,675,947**

2015:

	Kshs '000			
For the year ended 31 December 2015	**General**	**Ordinary, Group Life & Pensions**	**Investments**	**Total**
Gross earned premium revenue	19,374,636	3,655,296	-	23,029,932
Less: outward reinsurance	(7,759,035)	(394,740)	-	(8,153,775)
Net insurance premium revenue	**11,615,601**	**3,260,556**	**-**	**14,876,157**
Investment and other income	1,460,372	4,203,560	429,536	6,093,468
Net fair value loss on financial assets	(194,964)	(914,530)	-	(1,109,494)
Commission earned	1,786,574	51,209	-	1,837,783
Total income	**14,667,583**	**6,600,795**	**429,536**	**21,697,914**
Claims and policy holders benefits payable	(11,886,764)	(4,468,684)	-	(16,355,448)
Claims recoverable from re-insurers	4,519,667	270,506	-	4,790,173
Net insurance benefits and claims	**(7,367,097)**	**(4,198,178)**	**-**	**(11,565,275)**
Operating and other expenses	(2,789,815)	(963,875)	(116,854)	(3,870,544)
Commission payable	(2,198,782)	(935,325)	-	(3,134,107)
Total expenses and commissions	**(4,988,597)**	**(1,899,200)**	**(116,854)**	**(7,004,651)**
Result of operating activities	**2,311,889**	**503,417**	**312,682**	**3,127,988**
Finance costs	-	-	(34,861)	(34,861)
Share of result of associates	68,494	170,633	812,885	1,052,012
Group profit before income tax	**2,380,383**	**674,050**	**1,090,706**	**4,145,139**
Income tax expense	(755,203)	(202,756)	(66,087)	(1,024,046)
Profit for the year	**1,625,180**	**471,294**	**1,024,619**	**3,121,093**

5. SEGMENT INFORMATION (CONTINUED)

OPERATING SEGMENTS (CONTINUED)	Kshs '000			
2016:		**Ordinary, Group**		
As at 31 December 2016	**General**	**Life & Pensions**	**Investments**	**Total**
Property and equipment	132,976	60,984	23,694	217,654
Intangible assets	135,290	28,135	-	163,425
Investment properties	298,299	4,180,000	1,533,582	6,011,881
Investment in associates	1,655,602	1,830,934	5,776,669	9,263,205
Deferred income tax asset	138,908	32,096	8,683	179,687
Equity investments	2,033,986	6,357,238	146,629	8,537,853
Mortgage loans	79,869	-	-	79,869
Loans on life insurance policies	1,293	715,074	-	716,367
Government securities at armortised cost	4,864,967	34,763,536	37,609	39,666,112
Commercial bonds at amortised cost	22,894	1,400,784	-	1,423,678
Insurance and reinsurance receiveables	7,304,976	311,572	-	7,616,548
Reinsurers' share of insurance contract liabilities	6,738,281	153,679	-	6,891,960
Deffered acquisition costs	221,842	-	-	221,842
Other receivables	917,097	261,599	62,369	1,241,065
Current income tax recoverable	8,923	103,363	11,728	124,014
Deposits with financial institutions	2,844,242	4,302,437	100,944	7,247,623
Cash and bank balances	400,872	138,311	425,777	964,960
Total assets	**27,800,317**	**54,639,742**	**8,127,684**	**90,567,743**
Deferred income tax liability	89,241	63,541	10,407	163,189
Insurance contract liabilities	7,442,502	12,838,559	-	20,281,061
Unearned premium reserve	8,708,799	-	-	8,708,799
Payable under deposit administration contracts	-	35,988,354	-	35,988,354
Creditors arising out of direct insurance arrangements	216,947	76,077	-	293,024
Creditors arising out of reinsurance arrangements	1,103,642	232,610	-	1,336,252
Other payables	1,673,299	185,277	377,686	2,236,262
Current income tax payable	103,299	2,582	33,252	139,133
Total liabilities	**19,337,729**	**49,387,000**	**421,345**	**69,146,074**
Net assets	**8,462,588**	**5,252,742**	**7,706,339**	**21,421,669**

2015:		**Ordinary, Group**		
As at 31 December 2015	**General**	**Life & Pensions**	**Investments**	**Total**
Property and equipment	138,888	59,691	27,762	226,341
Intangible assets	61,778	3,172	-	64,950
Investment properties	290,038	3,930,000	1,315,292	5,535,330
Investment in associates	1,536,823	1,725,518	5,473,639	8,735,980
Deferred income tax asset	67,581	1,837	3,913	73,331
Equity investments	2,565,169	7,869,456	168,793	10,603,418
Mortgage loans	67,524	-	-	67,524
Loans on life insurance policies	958	494,195	-	495,153
Government securities at armortised cost	5,042,347	24,562,351	-	29,604,698
Commercial bonds at amortised cost	230,538	1,628,532	-	1,859,070
Insurance and reinsurance receiveables	6,055,082	339,717	-	6,394,799
Reinsurers' share of insurance contract liabilities	6,459,626	181,953	-	6,641,579
Deffered acquisition costs	264,081	-	-	264,081
Other receivables	830,155	190,331	15,107	1,035,593
Current income tax recoverable	18,022	18,330	9,488	45,840
Deposits with financial institutions	3,442,770	6,205,648	380,791	10,029,209
Cash and bank balances	390,339	141,861	168,914	701,114
Total assets	**27,461,719**	**47,352,592**	**7,563,699**	**82,378,010**
Deferred income tax liability	83,687	63,508	49,646	196,841
Insurance contract liabilities	7,330,210	11,378,953	-	18,709,163
Unearned premium reserve	7,760,661	-	-	7,760,661
Payable under deposit administration contracts	-	30,958,100	-	30,958,100
Creditors arising out of direct insurance arrangements	84,864	52,727	-	137,591
Creditors arising out of reinsurance arrangements	1,331,501	117,980	-	1,449,481
Other payables	1,450,025	789,330	317,416	2,556,771
Current income tax payable	239,751	6,243	(17,799)	228,195
Total liabilities	**18,280,699**	**43,366,841**	**349,263**	**61,996,803**
Net assets	**9,181,020**	**3,985,751**	**7,214,436**	**20,381,207**

5. SEGMENT INFORMATION (CONTINUED)

GEOGRAPHICAL SEGMENTS

The Group's geographical segments are Kenya, Uganda, Tanzania, Burundi and Mauritius. Kenya is the home country of the parent Company. The Group has investments in these geographical segments.

			Kshs '000			
2016: **For the year ended 31 December 2016**	**Kenya**	**Uganda**	**Tanzania**	**Mauritius**	**Burundi**	**Total**
Gross earned premium revenue	17,618,934	3,763,960	4,388,958	716,745	419,048	26,907,645
Outward reinsurance	(4,231,987)	(1,997,770)	(2,626,157)	(194,346)	(276,156)	(9,326,416)
Net insurance premium revenue	**13,386,947**	**1,766,190**	**1,762,801**	**522,399**	**142,892**	**17,581,229**
Investment and other income	4,887,329	1,578,258	161,900	8,394	64,763	6,700,644
Net fair value loss on financial assets	(1,612,126)	-	-	-	-	(1,612,126)
Commission earned	799,860	452,168	638,792	82,744	60,551	2,034,115
Total income	**17,462,010**	**3,796,616**	**2,563,493**	**613,537**	**268,206**	**24,703,862**
Claims and policy holders benefits payable	(15,133,377)	(1,741,212)	(2,331,556)	(522,286)	(202,307)	(19,930,738)
Claims recoverable from re-insurers	3,500,466	878,736	1,265,589	194,115	126,301	5,965,207
Net insurance benefits and claims	**(11,632,911)**	**(862,476)**	**(1,065,967)**	**(328,171)**	**(76,006)**	**(13,965,531)**
Operating and other expenses	(2,817,442)	(528,229)	(623,057)	(162,454)	(89,655)	(4,220,837)
Commission payable	(2,261,297)	(424,634)	(562,533)	(105,216)	(31,861)	(3,385,541)
Total expenses and commissions	**(5,078,739)**	**(952,863)**	**(1,185,590)**	**(267,670)**	**(121,516)**	**(7,606,378)**
Result of operating activities	**750,360**	**1,981,277**	**311,936**	**17,696**	**70,684**	**3,131,953**
Finance costs	-	-	-	-	-	-
Share of result of associates	762,884	667,868	-	-	-	1,430,752
Group profit before income tax	**1,513,244**	**2,649,145**	**311,936**	**17,696**	**70,684**	**4,562,705**
Income tax expense	(522,857)	(240,193)	(108,433)	5,067	(20,342)	(886,758)
Profit for the year	**990,387**	**2,408,952**	**203,503**	**22,763**	**50,342**	**3,675,947**

			Kshs '000			
2015: **For the year ended 31 December 2015**	**Kenya**	**Uganda**	**Tanzania**	**Mauritius**	**Burundi**	**Total**
Gross earned premium revenue	14,417,172	3,228,414	3,922,695	1,063,648	398,003	23,029,932
Less: outward reinsurance	(3,414,380)	(1,680,123)	(2,268,776)	(503,600)	(286,896)	(8,153,775)
Net insurance premium revenue	**11,002,792**	**1,548,291**	**1,653,919**	**560,048**	**111,107**	**14,876,157**
Investment and other income	4,289,800	1,413,611	297,790	22,224	70,043	6,093,468
Net fair value loss on financial assets	(1,109,494)	-	-	-	-	(1,109,494)
Commission earned	722,591	360,872	552,697	142,011	59,612	1,837,783
Total income	**14,905,689**	**3,322,774**	**2,504,406**	**724,283**	**240,762**	**21,697,914**
Claims and policy holders benefits payable	(11,410,238)	(1,613,958)	(2,396,369)	(738,505)	(196,378)	(16,355,448)
Claims recoverable from re-insurers	2,267,082	738,998	1,340,576	322,816	120,701	4,790,173
Net insurance benefits and claims	**(9,143,156)**	**(874,960)**	**(1,055,793)**	**(415,689)**	**(75,677)**	**(11,565,275)**
Operating and other expenses	(2,537,800)	(460,240)	(618,367)	(154,220)	(99,917)	(3,870,544)
Commission payable	(2,123,692)	(342,871)	(516,727)	(126,806)	(24,011)	(3,134,107)
Total expenses and commissions	**(4,661,492)**	**(803,111)**	**(1,135,094)**	**(281,026)**	**(123,928)**	**(7,004,651)**
Result of operating activities	**1,101,041**	**1,644,703**	**313,519**	**27,568**	**41,157**	**3,127,988**
Finance costs	-	(34,861)	-	-	-	(34,861)
Share of result of associates	357,012	695,000	-	-	-	1,052,012
Group profit before income tax	**1,458,053**	**2,304,842**	**313,519**	**27,568**	**41,157**	**4,145,139**
Income tax expense	(634,372)	(239,993)	(127,650)	-	(22,031)	(1,024,046)
Profit for the year	**823,681**	**2,064,849**	**185,869**	**27,568**	**19,126**	**3,121,093**

5. SEGMENT INFORMATION (CONTINUED)

GEOGRAPHICAL SEGMENTS (CONTINUED)			Group Kshs '000			
2016:						
As at 31 December 2016	**Kenya**	**Uganda**	**Tanzania**	**Mauritius**	**Burundi**	**Total**
Property and equipment	118,935	46,100	35,778	7,669	9,172	217,654
Intangible assets	137,999	-	22,124	3,302	-	163,425
Investment properties	4,180,000	1,444,814	298,299	-	88,768	6,011,881
Investment in associates	6,832,602	2,430,603	-	-	-	9,263,205
Deferred income tax asset	113,449	55,954	3,720	6,132	432	179,687
Investment in shares	8,357,653	129,694	50,507	-	-	8,537,853
Mortgage loans	77,641	2,228	-	-	-	79,869
Loans on life insurance policies	689,641	19,898	5,358	-	1,470	716,367
Government securities at armortised cost	36,310,956	2,025,462	1,115,345	-	214,349	39,666,112
Commercial bonds	1,422,260	1,418	-	-	-	1,423,678
Insurance and reinsurance receiveables	4,755,866	1,307,017	1,182,655	293,893	77,117	7,616,548
Reinsurers' insurance contract liabilities	3,390,698	1,573,986	1,589,303	161,846	176,127	6,891,960
Deffered acquisition costs	252,832	(27,513)	(20,004)	26,448	(9,921)	221,842
Other receivables	950,607	100,538	76,111	107,401	6,408	1,241,065
Current income tax recoverable	114,232	888	-	-	8,894	124,014
Deposits with financial institutions	4,911,725	1,425,676	557,293	22,721	330,208	7,247,623
Cash and bank balances	175,924	457,033	32,960	198,669	100,374	964,960
Total assets	**72,793,020**	**10,993,796**	**4,949,449**	**828,081**	**1,003,398**	**90,567,743**
Deferred income tax liability	76,056	13,803	72,265	1,065	-	163,189
Insurance contract liabilities	16,743,293	1,875,682	1,355,696	190,010	116,380	20,281,061
Payable under deposit administration contracts	35,101,537	236,255	423,849	-	226,713	35,988,354
Unearned premium reserve	5,566,177	1,222,715	1,431,059	337,009	151,839	8,708,799
Creditors arising out of direct insurance	282,915	10,109	-	-	-	293,024
Creditors arising out of reinsurance	590,788	345,013	170,444	34,918	195,089	1,336,252
Other payables	1,393,658	455,119	320,099	29,715	37,671	2,236,262
Current income tax payable	58,758	52,182	19,339	-	8,854	139,133
Bank overdraft	-	-	-	-	-	-
Total liabilities	**59,813,182**	**4,210,878**	**3,792,751**	**592,717**	**736,546**	**69,146,074**
Net assets	**12,979,838**	**6,782,918**	**1,156,698**	**235,364**	**266,852**	**21,421,669**
2015:						
As at 31 December 2015						
Property and equipment	126,327	34,378	45,508	8,933	11,195	226,341
Intangible assets	49,254	-	10,226	5,470	-	64,950
Investment properties	3,930,001	1,216,278	290,037	-	99,014	5,535,330
Investment in associates	6,297,954	2,438,026	-	-	-	8,735,980
Deferred income tax asset	58,038	14,609	45	-	639	73,331
Investment in shares	10,385,584	164,309	53,525	-	-	10,603,418
Mortgage loans	64,709	2,815	-	-	-	67,524
Loans on life insurance policies	480,008	9,328	4,664	-	1,153	495,153
Government securities at armortised cost	27,326,312	2,014,829	187,007	-	76,550	29,604,698
Commercial bonds	1,854,523	4,547	-	-	-	1,859,070
Insurance and reinsurance receiveables	3,683,546	1,267,851	1,072,018	269,297	102,087	6,394,799
Reinsurers' insurance contract liabilities	3,081,294	1,677,735	1,387,684	278,427	216,439	6,641,579
Deffered acquisition costs	332,949	(32,748)	(9,048)	(11,611)	(15,461)	264,081
Other receivables	720,372	73,035	88,505	109,019	44,662	1,035,593
Current income tax recoverable	9,488	888	35,464	-	-	45,840
Deposits with financial institutions	7,139,257	1,231,106	1,212,149	22,708	423,989	10,029,209
Cash and bank balances	346,737	157,579	44,835	94,557	57,406	701,114
Total assets	**65,886,353**	**10,274,565**	**4,422,619**	**776,800**	**1,017,673**	**82,378,010**
Deferred income tax liability	78,958	53,322	64,561	-	-	196,841
Insurance contract liabilities	15,423,397	1,753,650	1,195,746	213,562	122,808	18,709,163
Payable under deposit administration contracts	4,631,562	1,329,931	1,325,452	287,750	185,966	7,760,661
Unearned premium reserve	30,162,589	208,354	385,897	-	201,260	30,958,100
Creditors arising out of direct insurance	126,037	5,449	-	6,105	-	137,591
Creditors arising out of reinsurance	553,319	348,243	348,434	37,535	161,950	1,449,481
Other payables	1,987,253	367,538	99,370	23,138	79,472	2,556,771
Current income tax payable	209,470	(547)	-	-	19,272	228,195
Total liabilities	**53,172,585**	**4,065,940**	**3,419,460**	**568,090**	**770,728**	**61,996,803**
Net assets	**12,713,768**	**6,208,625**	**1,003,159**	**208,710**	**246,945**	**20,381,207**

6. GROSS EARNED PREMIUM

GROUP

Short Term Business

Premium earned by principal class of business:	2016			2015		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Motor	4,317,376	(624,967)	3,692,409	4,436,205	(909,250)	3,526,955
Fire	2,689,415	(2,133,393)	556,022	2,454,865	(1,884,518)	570,347
Accident	3,376,077	(1,734,374)	1,641,703	3,157,354	(1,515,165)	1,642,189
Medical	10,872,771	(3,859,910)	7,012,861	8,816,291	(3,195,027)	5,621,264
Other	529,771	(301,064)	228,707	509,920	(255,075)	254,845
Total Short - Term	**21,785,410**	**(8,653,708)**	**13,131,702**	**19,374,635**	**(7,759,035)**	**11,615,600**

Long Term Business

Premium earned by principal class of business:	2016			2015		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Ordinary life	3,131,932	(8,027)	3,123,905	2,298,858	(6,492)	2,292,366
Group life	1,730,288	(664,681)	1,065,607	1,085,317	(388,248)	697,069
Pension/annuity	260,015	-	260,015	271,122	-	271,122
Total Long -Term	**5,122,235**	**(672,708)**	**4,449,527**	**3,655,297**	**(394,740)**	**3,260,557**
Total Short - Term and Long - Term	**26,907,645**	**(9,326,416)**	**17,581,229**	**23,029,932**	**(8,153,775)**	**14,876,157**

7. INVESTMENT INCOME

GROUP

	2016	2015
	Kshs '000	Kshs '000
Government securities interest	4,373,728	3,009,239
Bank deposit interest	1,041,659	1,439,515
Policy loans interest	90,168	42,125
Mortgage loan interest	5,592	4,819
Realized gains on disposal of quoted equity investments	41,878	(44,721)
Rental income from investment properties (net of expenses)	317,346	290,391
Dividends receivable from equity investments	224,844	409,968
Fair value gain on investment properties (Note 17)	413,141	482,807
Exchange gain	102,325	336,602
Other income	89,963	122,723
Total	**6,700,644**	**6,093,468**

8. COMMISSION PAYABLE AND EARNED

GROUP

Short Term Business

Commission earned by principal class of business:	2016 Gross Kshs'000	2016 Reinsurance Kshs'000	2016 Net Kshs'000	2015 Gross Kshs'000	2015 Reinsurance Kshs'000	2015 Net Kshs'000
Motor	498,290	(149,690)	348,600	548,587	(203,440)	345,147
Fire	475,434	(460,893)	14,541	420,482	(390,278)	30,204
Accident	485,005	(373,255)	111,750	458,918	(362,737)	96,181
Medical	924,798	(781,067)	143,731	692,610	(740,071)	(47,461)
Other	56,582	(69,119)	(12,537)	78,185	(90,048)	(11,863)
Total Short-Term	**2,440,109**	**(1,834,024)**	**606,085**	**2,198,782**	**(1,786,574)**	**412,208**

Long Term Business

Commission earned by principal class of business:	2016 Gross Kshs'000	2016 Reinsurance Kshs'000	2016 Net Kshs'000	2015 Gross Kshs'000	2015 Reinsurance Kshs'000	2015 Net Kshs'000
Ordinary life	751,466	(3,271)	748,195	665,942	(2,708)	663,234
Group life	133,722	(196,820)	(63,098)	224,230	(48,501)	175,729
Pension/annuity	60,244	-	60,244	45,153	-	45,153
Total Long -Term	**945,432**	**(200,091)**	**745,341**	**935,325**	**(51,209)**	**884,116**
Total Short-Term and Long - Term	**3,385,541**	**(2,034,115)**	**1,351,426**	**3,134,107**	**(1,837,783)**	**1,296,324**

9. CLAIMS AND POLICY HOLDER BENEFITS PAYABLE

GROUP

Short Term Business

Claims payable by principal class of business	2016 Gross Kshs'000	2016 Reinsurance Kshs'000	2016 Net Kshs'000	2015 Gross Kshs'000	2015 Reinsurance Kshs'000	2015 Net Kshs'000
Motor	2,569,027	(367,364)	2,201,663	2,896,340	(515,525)	2,380,815
Fire	1,412,618	(1,281,292)	131,326	565,746	(413,049)	152,697
Accident	1,689,569	(935,094)	754,475	1,617,823	(976,704)	641,119
Medical	8,625,734	(2,946,643)	5,679,091	6,565,415	(2,463,589)	4,101,826
Other	111,853	(50,678)	61,175	241,439	(150,800)	90,639
Total Short-Term	**14,408,801**	**(5,581,071)**	**8,827,730**	**11,886,763**	**(4,519,667)**	**7,367,096**

Long Term Business

Claims payable by principal class of business	2016 Gross Kshs'000	2016 Reinsurance Kshs'000	2016 Net Kshs'000	2015 Gross Kshs'000	2015 Reinsurance Kshs'000	2015 Net Kshs'000
Ordinary life	995,644	(17,312)	978,332	623,203	(482)	622,721
Group life	1,079,420	(366,824)	712,596	757,458	(270,024)	487,434
Pension/annuity	635,536	-	635,536	744,107	-	744,107
Total Long -Term	**2,710,600**	**(384,136)**	**2,326,464**	**2,124,768**	**(270,506)**	**1,854,262**

Increase in policy holders benefits	2016 Gross Kshs'000	2016 Reinsurance Kshs'000	2016 Net Kshs'000	2015 Gross Kshs'000	2015 Reinsurance Kshs'000	2015 Net Kshs'000
Ordinary life	1,130,900	-	1,130,900	846,413	-	846,413
Group life	287,591	-	287,591	(316,449)	-	(316,449)
Pension/annuity	1,392,846	-	1,392,846	1,813,953	-	1,813,953
Total Long -Term	**2,811,337**	**-**	**2,811,337**	**2,343,917**	**-**	**2,343,917**
Total Long -Term - Claims & policy holders benefits	**5,521,937**	**(384,136)**	**5,137,801**	**4,468,685**	**(270,506)**	**4,198,179**
Total Short-Term and Long - Term	**19,930,738**	**(5,965,207)**	**13,965,531**	**16,355,448**	**(4,790,173)**	**11,565,275**

10. (i) OPERATING EXPENSES

GROUP

The breakdown of operating expenses is given below

	2016 Kshs '000	2015 Kshs '000
Employee benefits expense (Note 10)	2,090,274	1,833,523
Administrative costs	623,807	715,749
Premium tax and policy holder compensation fund	60,509	207,496
Impairment charge for doubtful premium receivables*	271,534	138,583
Operating lease rentals - land and buildings	161,642	180,993
Marketing costs	219,125	75,556
Professional fees	113,739	87,371
Depreciation and amortisation (Note 16)	125,572	116,081
Travelling costs	360,692	243,841
Repairs and maintenance expenditure	33,944	32,013
Communication costs	33,968	69,064
Auditors' remuneration	23,249	23,754
Software maintenance and printing costs	102,782	146,520
Total	**4,220,837**	**3,870,544**

*For the year 2016 this line item included both the increase in the allowance for impairment and bad debts written off. There were no bad debts written off in 2015.

10. (ii) EMPLOYEE BENEFITS EXPENSE

GROUP

	2016 Kshs '000	2015 Kshs '000
Salaries and wages	1,667,770	1,499,812
Social security costs	46,901	85,984
Retirement benefit costs – defined contribution plan	88,406	78,012
Other benefits*	287,197	169,715
Total	**2,090,274**	**1,833,523**

* Other benefits include staff training, staff medical cover expenses, club subscriptions, staff relocation and other staff welfare expenses.

As at 31 December 2016 a total of 986 (2015: 878) staff were employed within the Group.

10. (iii) KEY MANAGEMENT COMPENSATION AND DIRECTORS' REMUNERATION

GROUP

Key management compensation & directors fees	2016 Kshs '000	2015 Kshs '000
Salaries and other employment benefits	440,330	462,020
Fees for services as directors	6,067	6,539
Total	**446,397**	**468,559**

There were no loans given to Directors in the year ended 31 December 2016 (2015: Nil)

11. INCOME TAX EXPENSE

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows

	Group		Company	
	2016	**2015**	**2016**	**2015**
	Kshs '000	**Kshs '000**	**Kshs '000**	**Kshs '000**
Profit before income tax	4,562,705	4,145,135	37,177	681,958
Tax calculated at the enacted domestic tax rate	1,397,513	1,531,706	11,153	204,587
Effect of :				
Income not subject to income tax	(710,050)	(703,027)	(41,442)	(228,916)
Expenses not deductible for tax purposes	527,102	319,209	28,768	25,513
Transfer of life fund to shareholders	(300,186)	(194,355)	-	-
Prior year (over)/under provision	(27,621)	70,513	(976)	(2,898)
Income tax charge	**886,758**	**1,024,046**	**(2,497)**	**(1,714)**
Current income tax	1,036,680	905,895	(773)	475
Deferred income tax (Note 28)	(149,922)	118,151	(1,724)	(2,189)
	886,758	**1,024,046**	**(2,497)**	**(1,714)**

Movement in the net tax payable/(recoverable) account is as follows:

	2016	**2015**	**2016**	**2015**
	Kshs '000	**Kshs '000**	**Kshs '000**	**Kshs '000**
At start of year	182,355	164,504	(8,811)	(9,218)
Taxation charge	1,008,874	905,895	203	475
Prior year under/(over) provision	27,806	-	(976)	-
Taxation paid	(1,203,916)	(888,044)	(420)	(68)
At end of year	**15,119**	**182,355**	**(10,004)**	**(8,811)**

Disclosed as follows:

	2016	**2015**	**2016**	**2015**
	Kshs '000	**Kshs '000**	**Kshs '000**	**Kshs '000**
Current income tax recoverable	(124,014)	(45,840)	(10,004)	(8,811)
Current income tax payable	139,133	228,195	-	-
Total	**15,119**	**182,355**	**(10,004)**	**(8,811)**

12. EARNINGS PER SHARE

Earnings per ordinary share is calculated by dividing the net profit attributable to Shareholders by the number of shares outstanding at the end of the year.

GROUP

	2016	**2015**
Net profit attributable to Shareholders (Kshs'000)	3,296,625	2,814,056
Number of ordinary shares in issue	65,884,500	65,884,500
Earnings per share (Kshs)-Basic and diluted	**50.04**	**42.71**

There were no potentially dilutive shares in issue at 31 December 2016 and 31 December 2015. Diluted earnings per share are therefore the same as basic earnings per share.

13. SHARE CAPITAL

The total authorized number of ordinary shares is 70,000,000 (2015: 70,000,000) with a par value of Kshs 5 per share. At 31 December 2016 65,884,500 ordinary shares were in issue (2015: 65,884,500 ordinary shares). All issued shares are fully paid.

Share Capital (Group and Company)	Share Capital	Share Capital	Number of shares	Number of shares
	2016	2015	2016	2015
	Kshs '000	Kshs '000	'000	'000
Authorised	350,000	350,000	70,000	70,000
Issued and fully paid:				
At start of year	329,423	299,475	65,885	59,895
Bonus issue of shares	-	29,948	-	5,990
At end of year	**329,423**	**329,423**	**65,885**	**65,885**

All shares rank equally with regard to the company residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

14. RESERVES

The breakdown of reserves is as follows:

	Group		Company	
	2016	2015	2016	2015
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Fair value reserves	104,458	528,488	6,847	6,995
General reserves	70,000	70,000	70,000	70,000
Translation reserves	(554,086)	(240,449)	-	-
Contingency reserves	964,042	829,413	-	-
Statutory reserve	2,185,073	3,327,844	-	-
Total	**2,769,487**	**4,515,296**	**76,847**	**76,995**

The movement in the reserves during the year is given below:

a) Fair value reserves

	Group		Company	
	2016	2015	2016	2015
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
At start of year	528,488	974,878	6,995	(5,019)
Associate share of other comprehensive income	(52,888)	(27,085)	-	-
Fair value gain through other comprehensive income	(372,858)	(373,441)	(148)	12,014
Transfer from/(to) retained earnings on disposal	1,716	(45,864)	-	-
At end of year	**104,458**	**528,488**	**6,847**	**6,995**

The fair value reserve relates to unrealized gains or losses on the Group's equity investments that are carried at fair value through other comprehensive income. It also include the Group's share of other comprehensive income in associates. The fair value reserve is non-distributable.

b) General reserves

	Group and Company	
	2016	2015
	Kshs '000	Kshs '000
At start and end of year	70,000	70,000

The general reserves were an appropriation of retained earnings in 1992, and are therefore distributable.

14. RESERVES (CONTINUED)

c) Translation reserve (Group)

	2016 Kshs '000	2015 Kshs '000
At start of year	(240,449)	(550,691)
Movement for the year	(313,637)	310,242
At end of year	**(554,086)**	**(240,449)**

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. The movement for the year is the net of an exchange gain of Kshs 6 million (2015: Kshs 610 million) and the net transfer to profit and loss of Kshs 88 million on translation of foreign currency denominated investment in associates (refer to Note 18 (i)) an exchange loss of Kshs 232 million.

d) Contingency reserve (Group)

	2016 Kshs '000	2015 Kshs '000
At start of year	829,413	752,532
Transfer from retained earnings	134,629	76,881
At end of year	**964,042**	**829,413**

The contingency reserve is in line with the provisions of the Insurance Act in Tanzania and Uganda which require an annual transfer to the contingency reserve of between 1% - 3% of the gross premium.

e) Statutory reserve (Group)

	2016 Kshs '000	2015 Kshs '000
At start of year	3,327,844	1,958,336
Allocated (to)/from the life funds	(1,142,771)	1,369,508
At end of year	**2,185,073**	**3,327,844**

The statutory reserve represents the actuarial surplus of the Kenyan life fund after distribution of profits to the shareholders and bonuses to policy holders.

15. DIVIDENDS

15 (i) PROPOSED DIVIDEND

Proposed dividend is accounted for as a separate component of equity until ratified at an Annual General Meeting. During the year, an interim dividend of Kshs 65.885 million was paid (2015: Kshs 65.885 million) or Kshs 1.00 per share (2015: Kshs 1.00 per share). At the Annual General Meeting to be held on 22 May 2017, a final dividend of Kshs 494.133 million (2015: Kshs 494.133 million) is to be proposed, which is Kshs 7.50 per share (2015: Kshs 7.50 per share). The total dividend for the year 2016 is therefore Kshs 560.018 million (2015: Kshs 560.018 million) or Kshs 8.50 per share (2015: Kshs 8.50 per share).

Also to be ratified at the Annual General Meeting is a bonus of one share for every ten issued.

Payment of dividend is subject to withholding tax at the rate of either 0%, 5% or 10%, depending on the percentage shareholding and/or residential status of the respective shareholders.

15 (ii) DIVIDENDS PAYABLE

	2016 Kshs '000	2015 Kshs '000
At start of year	269,627	265,928
Dividends declared within the year	560,018	515,097
Dividend paid within the year	(504,130)	(511,398)
At end of year	**325,515**	**269,627**

16. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

(i) PROPERTY AND EQUIPMENT

GROUP

	Computer equipment	Motor vehicles	Furniture, fixtures, fittings & office equipment	Total
2016: **Year ended 31 December 2016**	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**
Cost				
At start of year	389,484	79,565	358,496	827,545
Additions	41,864	4,848	39,940	86,652
Disposals	(131)	(6,648)	(458)	(7,237)
Exchange differences	(3,804)	(9,007)	(6,001)	(18,812)
At end of year	**427,413**	**68,758**	**391,977**	**888,148**
Accumulated depreciation				
At start of year	327,308	50,945	222,951	601,204
Charge for the year	42,503	10,245	38,723	91,471
Disposals	(52)	(6,111)	-	(6,163)
Exchange differences	(4,186)	(8,508)	(3,324)	(16,018)
At end of year	**365,573**	**46,571**	**258,350**	**670,494**
Net book value	**61,840**	**22,187**	**133,627**	**217,654**

2015: **Year ended 31 December 2015**	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**
Cost				
At start of year	330,875	68,858	310,947	710,680
Additions	65,986	15,327	50,882	132,195
Disposals	(730)	(1,401)	-	(2,131)
Exchange differences	(6,647)	(3,219)	(3,333)	(13,199)
At end of year	**389,484**	**79,565**	**358,496**	**827,545**
Accumulated depreciation				
At start of year	289,533	45,268	191,331	526,132
Charge for the year	42,088	9,641	33,677	85,406
On disposals	-	(1,400)	-	(1,400)
Exchange differences	(4,313)	(2,564)	(2,057)	(8,934)
At end of year	**327,308**	**50,945**	**222,951**	**601,204**
Net book value	**62,176**	**28,620**	**135,545**	**226,341**

16. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)

(i) PROPERTY AND EQUIPMENT (CONTINUED)

COMPANY

	Computer equipment	Furniture, fixtures, fittings & office equipment	Total
2016: **Year ended 31 December 2016**	**Kshs '000**	**Kshs '000**	**Kshs '000**
Cost			
At start of year	385	36,159	36,544
Additions	1,965	209	2,174
At end of year	**2,350**	**36,368**	**38,718**
Accumulated depreciation			
At start of year	262	9,657	9,919
Charge for the year	716	5,254	5,970
At end of year	**978**	**14,911**	**15,889**
Net book value	**1,372**	**21,457**	**22,829**
2015: **Year ended 31 December 2015**			
Cost			
At start of year	201	28,164	28,365
Additions	184	7,995	8,179
At end of year	**385**	**36,159**	**36,544**
Accumulated depreciation			
At start of year	134	4,441	4,575
Charge for the year	128	5,216	5,344
At end of year	**262**	**9,657**	**9,919**
Net book value	**123**	**26,502**	**26,625**

16. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)

(ii) INTANGIBLE ASSETS

GROUP

2016: **Year ended 31 December 2016**	**Kshs '000**
Cost	
At start of year	104,125
Additions	132,633
Exchange loss	(113)
At end of year	**236,645**
Accumulated amortisation	
At start of year	39,175
Charge for the year	34,101
Exchange loss	(56)
At end of year	**73,220**
Net carrying amount	**163,425**

2015: **Year ended 31 December 2015**	
Cost	
At start of year	32,179
Additions	73,789
Exchange loss	(1,843)
At end of year	**104,125**
Accumulated amortisation	
At start of year	9,097
Charge for the year	30,675
Exchange loss	(597)
At end of year	**39,175**
Net carrying amount	**64,950**

Intangible assets relates to computer software.

17. INVESTMENT PROPERTIES

	Group	
	2016	**2015**
	Kshs '000	**Kshs '000**
At start of year	5,535,330	5,073,192
Net additions	162,731	84,699
Fair value gains (Note 7)	413,141	482,807
Exchange differences	(99,321)	(105,368)
At end of year	**6,011,881**	**5,535,330**

Investment property comprises a number of commercial properties that are leased to third parties. Investment property for the Group was valued by Redfearn International Limited on the basis of open market value. Investment properties include properties situated within Kenya valued at Kshs 4,180 million (2015: Kshs 3,930 million) and those outside Kenya valued at Kshs 1,832 million (2015: Kshs 1,605 million). Refer to Note 37 on operating leases for net operating income in profit or loss from investment properties

18. INVESTMENT IN ASSOCIATED COMPANIES AND SUBSIDIARIES

(i) INVESTMENT IN ASSOCIATES

Movement in Net Assets

GROUP

Year 2016	Opening Balance Kshs'000	Additions/ (disposals) Kshs'000	Dividends received Kshs'000	Share of result Kshs'000	Share of OCI Kshs'000	Translation gain Kshs'000	Closing Balance Kshs'000
IPS Power Investments Ltd	**210,699**	-	(35,284)	23,472	-	-	**198,887**
PDML (Holding) Limited	**2,040,921**	-	(9,903)	175,347	(21,766)	-	**2,184,599**
Bujagali Holding Power Company Limited	**2,329,093**	-	(626,108)	667,868	-	(87,960)	**2,282,893**
FCL Holding Ltd	**2,021,438**	-	(97,455)	313,282	(31,122)	-	**2,206,143**
IPS Cable Holding Systems Ltd	**2,133,829**	-	-	250,783	-	6,071	**2,390,683**
Total	**8,735,980**	**-**	**(768,750)**	**1,430,752**	**(52,888)**	**(81,889)**	**9,263,205**

Year 2015	Opening Balance Kshs'000	Additions/ transfers Kshs'000	Dividends received Kshs'000	Share of result Kshs'000	Share of OCI Kshs'000	Translation loss Kshs'000	Closing Balance Kshs'000
IPS Power Investments Ltd	**169,268**	-	-	11,499	-	29,932	**210,699**
PDML (Holding) Limited	**1,914,566**	-	(9,903)	74,803	61,455	-	**2,040,921**
Bujagali Holding Power Company Limited	**1,919,106**	108,932	(543,576)	695,001	-	149,630	**2,329,093**
FCL Holding Ltd	**2,083,118**	-	(187,410)	214,270	(88,540)	-	**2,021,438**
IPS Cable Holding Systems Ltd	**1,646,985**	-	-	56,439	-	430,405	**2,133,829**
Total	**7,733,043**	**108,932**	**(740,889)**	**1,052,012**	**(27,085)**	**609,967**	**8,735,980**

COMPANY

Investment at cost	2016 Kshs'000	2015 Kshs'000
FCL Holding Ltd	484,969	484,969
IPS Cable Holding Systems Ltd	353,282	353,282
Total	**838,251**	**838,251**

IPS Power Investment Limited is an investment vehicle company, which through its subsidiary has invested in the equity of Tsavo Power Company Limited that generates electricity for sale. Bujagali Holding Power Company Limited is an investment vehicle company which through its subsidiary has invested in the equity of Bujagali Energy Limited an electricity generating company in Uganda. PDM (Holding) Limited is an investment vehicle company which has invested in the equity of Property Development and Management (K) Limited which conducts property investment, development and management. FCL Holdings Limited is an investment vehicle company which has invested in the equity of Farmers Choice Limited with its main objective being sale of fresh and processed meat products. IPS Cable Systems Limited is an investment vehicle company which has invested in the 15,000 km Seacom submarine fiber optic cable project.

Equity accounting has been applied for the associates in these financial statements using results based on draft financial statements as at 31 December 2016. Final audited financial statements will be available later in the year and the adjustment to reflect the final audited financial statements will be made in the subsequent year. The total adjustment for the year ended 31 December 2015 of Kshs 5.6 million (2014: Kshs 62 million) is included in the current year share of result.

A provision has been included of Kshs 40 million within the IPS Power Investment Limited movement to cater for the decommissioning costs to be incurred at the end of the Tsavo Power Company's Power Purchase Agreement in 2020.
The following table summarizes the information relating to each of the Group's associates:

18. INVESTMENT IN ASSOCIATES AND SUBSIDIARIES (CONTINUED)

(i) INVESTMENT IN ASSOCIATES (CONTINUED)

GROUP

	IPS Power Investments Limited	PDML Holdings Limited	Bujagali Holding Power Company Limited	FCL Holding Limited	IPS Cable Holding Systems Limited	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Country of incorporation	**Kenya**	**Kenya**	**Uganda**	**Kenya**	**Mauritius**	
Interest held	**27%**	**37%**	**25%**	**30%**	**33%**	
Year 2016						
Assets	1,532,972	8,686,801	11,797,909	6,472,918	9,701,457	38,192,057
Liabilities	(272)	(2,248,722)	(161,893)	(1,338,804)	(1,540,928)	(5,290,619)
Net assets	**1,532,700**	**6,438,079**	**11,636,016**	**5,134,114**	**8,160,529**	**32,901,438**
Revenue	449,011	579,918	2,131,243	8,638,577	943,956	12,742,705
Profit after tax	448,666	609,310	2,288,568	916,096	855,997	5,118,637
Other comprehensive income	-	(116,852)	-	93,751	-	(23,101)
Cash flows (used in)/from operating activities	(130,051)	311,712	(695,549)	527,061	(4,935)	8,238
Cash flows from/(used in) investing activities	607,786	(822,014)	2,469,780	(102,393)	943,956	3,097,115
Cash flows (used in)/from financing activities	(424,068)	728,940	-	(325,000)	(834,572)	(854,700)
Net increase in cash and cash equivalents	**53,667**	**218,638**	**1,774,231**	**99,668**	**104,449**	**2,250,653**
Year 2015						-
Assets	1,505,556	7,353,661	9,317,008	6,030,743	9,579,659	33,786,627
Liabilities	(253)	(1,378,165)	(621)	(1,512,166)	(2,295,850)	(5,187,055)
Net assets	**1,505,303**	**5,975,496**	**9,316,387**	**4,518,577**	**7,283,809**	**28,599,572**
Revenue	422,863	566,391	1,288,397	8,405,965	1,035,243	11,718,859
Profit after tax	422,528	623,057	1,365,392	998,048	927,276	4,336,301
Other comprehensive income	-	(164,104)	-	(93,751)	-	(257,855)
Cash flows (used in)/from operating activities	(450)	339,726	(58,377)	873,524	(7,415)	1,147,008
Cash flows from/(used in) investing activities	585,465	(687,406)	2,139,491	(109,600)	1,035,243	2,963,193
Cash flows (used in)/from financing activities	(585,146)	329,847	(2,087,899)	(625,000)	(836,601)	(3,804,799)
Net (decrease)/increase in cash and cash equivalents	**(131)**	**(17,833)**	**(6,785)**	**138,924**	**191,227**	**305,402**

18. INVESTMENT IN ASSOCIATES AND SUBSIDIARIES (CONTINUED)

(i) INVESTMENT IN ASSOCIATES (CONTINUED)

COMPANY

	FCL Holding Limited	IPS Cable Holding Systems Limited	Total
	Kshs'000	Kshs'000	Kshs'000
Country of incorporation	**Kenya**	**Mauritius**	
Interest held	**30%**	**33%**	
Year 2016			
Assets	6,472,918	9,701,457	16,174,375
Liabilities	(1,338,804)	(1,540,928)	(2,879,732)
Net assets	**5,134,114**	**8,160,529**	**13,294,643**
Revenue	8,638,577	943,956	9,582,533
Profit after tax	916,096	855,997	1,772,093
Other comprehensive income	93,751	-	93,751
Cash flows from/(used in) operating activities	527,061	(4,935)	522,126
Cash flows (used in)/from investing activities	(102,393)	943,956	841,563
Cash flows used in financing activities	(325,000)	(834,572)	(1,159,572)
Net increase in cash and cash equivalents	**99,668**	**104,449**	**204,117**
Year 2015			
Assets	6,030,743	9,579,659	15,610,402
Liabilities	(1,512,166)	(2,295,850)	(3,808,016)
Net assets	**4,518,577**	**7,283,809**	**11,802,386**
Revenue	8,405,965	1,035,243	9,441,208
Profit after tax	998,048	927,276	1,925,324
Other comprehensive income	(93,751)	-	(93,751)
Cash flows from/(used in) operating activities	873,524	(7,415)	866,109
Cash flows (used in)/from investing activities	(109,600)	1,035,243	925,643
Cash flows used in financing activities	(625,000)	(836,601)	(1,461,601)
Net increase in cash and cash equivalents	**138,924**	**191,227**	**330,151**

18. INVESTMENT IN ASSOCIATES AND SUBSIDIARIES (CONTINUED)

(ii) INVESTMENT IN SUBSIDIARIES

COMPANY	Investment at Cost 2016 Kshs'000	Investment at Cost 2015 Kshs'000	Equity Held 2016 %	Equity Held 2015 %
Jubilee Insurance Company of Kenya Limited	450,000	450,000	100%	100%
Jubilee Insurance Company of Tanzania Limited	36,456	36,456	51%	51%
Jubilee Life Insurance Corporation of Tanzania Limited	36,455	36,455	51%	51%
Jubilee Insurance Company of Uganda Limited	12,598	12,598	65%	65%
Jubilee Life Insurance Company of Uganda Limited	12,597	12,597	65%	65%
Jubilee Insurance (Mauritius) Limited	197,467	157,204	80%	80%
Jubilee Investment Company Limited (Uganda)	1,103,707	1,103,707	100%	100%
Jubilee Investment Company Limited (Tanzania)	298	298	100%	100%
Jubilee Investment Company Limited (Burundi)	1,312	1,312	100%	100%
Total	**1,850,890**	**1,810,627**		

The Jubilee Investments Company Limited (Uganda) owns 35% equity of both The Jubilee Insurance Company of Uganda Limited and Jubilee Life Insurance Company of Uganda Limited, and 10% equity of Jubilee Insurance (Mauritius) Ltd. The Group holds 70% of Jubilee Insurance Company of Burundi S.A. through Jubilee Investments Burundi Limited (33%), Jubilee Investment Company Limited (Uganda) (33%) and Jubilee Investments Tanzania Limited (4%). The Group holds 80% of Jubilee Center Burundi Limited, a property investment company through its subsidiary Jubilee Investments Burundi Limited. The Group holds 100% of Jubilee Financial Services Ltd, a fund management company, through its subsidiary The Jubilee Insurance Company of Kenya Ltd.

(iii) NON CONTROLLING INTEREST (NCI)

The following table summarizes the information relating to the Group's subsidiaries that has NCI

Year 2016	Jubilee Insurance Uganda Kshs'000	Jubilee Insurance Tanzania Kshs'000	Jubilee Insurance Mauritius Kshs'000	Jubilee Insurance Burundi Kshs'000	Jubilee Centre Burundi Kshs'000	Adjustment Kshs'000	Total Kshs'000
NCI percentage	**35%**	**49%**	**20%**	**30%**	**20%**		
Assets	6,670,773	4,995,890	830,429	898,240	118,321	-	13,513,653
Liabilities	(4,252,529)	(3,924,402)	(601,326)	(725,502)	(84,681)	-	(9,588,440)
Net assets	**2,418,244**	**1,071,488**	**229,103**	**172,738**	**33,640**	**-**	**3,925,213**
Carrying amount of NCI	**975,630**	**395,786**	**45,821**	**51,822**	**6,728**	**-**	**1,475,787**
Revenue	1,766,190	1,762,801	522,399	142,892	-	-	4,194,282
Profit	744,419	203,950	22,763	41,892	8,590	-	1,021,614
OCI	(210,961)	(42,920)	138	(8,053)	(3,378)	-	(265,174)
Total comprehensive income	**533,458**	**161,030**	**22,901**	**33,839**	**5,212**	**-**	**756,440**
Profit allocated to NCI	260,547	99,936	4,553	12,568	1,718	-	379,322
OCI allocated to NCI	(73,836)	(21,031)	28	(2,416)	(676)	(88,770)	(186,701)
Total allocated to NCI	**186,711**	**78,905**	**4,581**	**10,152**	**1,042**	**(88,770)**	**192,621**
Cash flows from/(used in) operating activities	309,951	178,455	20,967	20,872	(2,576)	-	527,669
Cash flows (used in)/from investing activities	(221,384)	(148,881)	(250)	19,616	3,032	-	(347,867)
Cash flows used in financing activities	(71,927)	(35,248)	-	-	-	-	(107,175)
Net increase/(decrease) in cash and cash equivalents	**16,640**	**(5,674)**	**20,717**	**40,488**	**456**	**-**	**72,627**

INVESTMENT IN ASSOCIATED COMPANIES AND SUBSIDIARIES (CONTINUED)

(iii) NON CONTROLLING INTEREST (CONTINUED)

Year 2015	Jubilee Insurance Uganda	Jubilee Insurance Tanzania	Jubilee Insurance Mauritius	Jubilee Insurance Burundi	Jubilee Centre Burundi	Adjustment	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
NCI percentage	**35%**	**49%**	**20%**	**30%**	**20%**		
Assets	6,232,985	4,875,389	776,996	904,676	127,317	-	12,917,363
Liabilities	(4,202,690)	(3,887,701)	(570,793)	(765,777)	(98,889)	-	(9,525,850)
Net assets	**2,030,295**	**987,688**	**206,203**	**138,899**	**28,428**	**-**	**3,391,513**
Carrying amount of NCI	**826,761**	**367,809**	**41,241**	**41,670**	**5,685**	**-**	**1,283,166**
Revenue	1,548,292	1,653,919	560,048	111,107	-		3,873,366
Profit	581,988	189,202	27,568	12,686	6,560	-	818,004
OCI	(129,483)	(103,391)	548	15,077	3,815	-	(213,434)
Total comprehensive income	**452,505**	**85,811**	**28,116**	**27,763**	**10,375**	**-**	**604,570**
Profit allocated to NCI	203,696	92,709	5,514	3,806	1,312	-	307,037
OCI allocated to NCI	(45,319)	(50,662)	110	4,523	763	26,300	(64,285)
Total allocated to NCI	**158,377**	**42,047**	**5,624**	**8,329**	**2,075**	**26,300**	**242,752**
Cash flow from/(used in) operating activities	261,112	132,644	(7,249)	(2,359)	(287)	-	383,861
Cash flow (used in)/from investing activities	(229,533)	(268,768)	4,394	(9,427)	2,387	-	(500,947)
Cash flow (used in)/from investing activities	(44,277)	-	13,033	11,868	-	-	(19,376)
Net (decrease)/increase in cash and cash equivalents	**(12,698)**	**(136,124)**	**10,178**	**82**	**2,100**	**-**	**(136,462)**

Jubilee Insurance Uganda and Jubilee Insurance Tanzania include both the short-term and long-term companies.

Movement in the non-controlling interest is as follows:

	2016	2015
	Kshs '000	Kshs '000
At start of year	1,283,166	1,040,414
Share of total comprehensive income for the year	192,621	242,752
At end of year	**1,475,787**	**1,283,166**

19. UNQUOTED EQUITY INVESTMENTS

GROUP

	FV Through P/L	FV Through OCI	Total	FV Through P/L	FV Through OCI	Total
	2016	2016	2016	2015	2015	2015
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
At start of year	2,675,147	104,445	2,779,592	2,344,998	96,868	2,441,866
Additions/transfers	-	-	-	1,394	10,390	11,784
Disposals	(2,137)	(1,360)	(3,497)	-	-	-
Fair value gain through other comprehensive income	-	4,034	4,034	-	8,742	8,742
Fair value gain through profit and loss	132,039	-	132,039	328,012	-	328,012
Exchange differences	-	(2,244)	(2,244)	743	(11,555)	(10,812)
At end of year	**2,805,049**	**104,875**	**2,909,924**	**2,675,147**	**104,445**	**2,779,592**

19. UNQUOTED EQUITY INVESTMENTS (CONTINUED)

COMPANY

	FV Through OCI 2016 Kshs'000	FV Through OCI 2015 Kshs'000
At start of year	23,565	12,007
Additions	-	2,816
Fair value gain through other comprehensive income	4,034	8,742
At end of year	**27,599**	**23,565**

20. QUOTED EQUITY INVESTMENTS

GROUP

	FV Through P/L 2016 Kshs'000	FV Through OCI 2016 Kshs'000	Total 2016 Kshs'000	FV Through P/L 2015 Kshs'000	FV Through OCI 2015 Kshs'000	Total 2015 Kshs'000
At start of year	6,446,523	1,377,303	7,823,826	8,002,990	1,721,076	9,724,066
Additions	58,374	1,360	59,734	223,642	107,103	330,745
Disposals	(116,401)	-	(116,401)	(342,603)	(24,587)	(367,190)
Transfer to retained earnings on disposal	-	-	-	-	(45,863)	(45,863)
Fair value loss through other comprehensive income	-	(387,155)	(387,155)	-	(371,039)	(371,039)
Fair value loss through profit or loss	(1,744,165)	-	(1,744,165)	(1,437,506)	-	(1,437,506)
Exchange differences	-	(7,910)	(7,910)	-	(9,387)	(9,387)
At end of year	**4,644,331**	**983,598**	**5,627,929**	**6,446,523**	**1,377,303**	**7,823,826**

COMPANY

	FV Through OCI 2016 Kshs'000	FV Through OCI 2015 Kshs'000
At start of year	16,056	12,785
Fair value (loss)/gain through other comprehensive income	(4,182)	3,271
At end of year	**11,874**	**16,056**

21. LOANS RECEIVABLE

GROUP

i) Mortgage loans	2016	2015
Movement	**Kshs '000**	**Kshs '000**
At start of year	67,524	44,102
Loans advanced	16,943	28,804
Accrued interest and penalties	5,989	5,503
Provision for impairment gains during the year	(619)	(2,138)
Loan repayments	(9,799)	(8,498)
Exchange differences	(169)	(249)
At end of year	**79,869**	**67,524**
Maturity profile		
Loans maturing		
Within 1 year	-	-
In 1-5 years	5,283	5,283
In over 5 years	74,586	62,241
Total	**79,869**	**67,524**

GROUP

ii) Policy loans	2016	2015
Movement	**Kshs '000**	**Kshs '000**
At start of year	495,153	361,981
Loans advanced	184,060	232,947
Interest	99,282	(419)
Loan repayments	(61,811)	(99,028)
Exchange differences	(317)	(328)
At end of year	**716,367**	**495,153**
Maturity profile		
Loans maturing		
Within 1 year	63,400	72,593
In 1-5 years	329,997	242,940
In over 5 years	322,970	179,620
Total	**716,367**	**495,153**

22. GOVERNMENT SECURITIES AT AMORTISED COST

GROUP

Movement	2016	2015
	Kshs '000	**Kshs '000**
At start of year	29,604,698	21,923,229
Additions	14,672,708	10,562,308
Maturities	(4,471,541)	(2,736,857)
Exchange differences	(139,753)	(143,982)
At end of year	**39,666,112**	**29,604,698**
Maturity Profile		
Treasury bills maturing within 91 days after the date of acquisition	114,266	160,257
Treasury bills maturing after 91 days after the date of acquisition	2,142,334	1,119,012
Treasury bonds maturing within 1 year	3,518,101	3,061,201
Treasury bonds maturing in 1-5 years	10,423,510	11,050,526
Treasury bonds maturing after 5 years	23,467,901	14,213,702
Total	**39,666,112**	**29,604,698**

23. COMMERCIAL BONDS AT AMORTISED COST

GROUP

	2016	2015
	Kshs '000	Kshs '000
At start of year	1,859,070	1,696,519
Additions	-	797,687
Maturities	(435,098)	(634,418)
Exchange differences	(294)	(718)
At end of year	**1,423,678**	**1,859,070**

24. DEFERRED ACQUISITION COSTS

GROUP

	2016	2015
	Kshs '000	Kshs '000
At start of year	264,081	189,248
Net (decrease)/increase	(45,665)	73,278
Exchange differences	3,426	1,555
At end of year	**221,842**	**264,081**

25. REINSURERS' SHARE OF INSURANCE CONTRACT LIABILITIES

GROUP

	2016	2015
Reinsurers' share of:	Kshs '000	Kshs '000
- Unearned premium (Note 31)	3,019,300	3,002,842
- Notified claims outstanding and IBNR (Note 36)	3,872,660	3,638,737
Total	**6,891,960**	**6,641,579**

Amounts due from reinsurers in respect of claims already paid by the Group on contracts that are reinsured are included in receivables arising out of reinsurance arrangements in the statement of financial position.

26. OTHER RECEIVABLES

	Group		Company	
	2016	2015	2016	2015
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Deposits - Office rent and utilities	112,410	94,751	-	3
Prepayments	85,994	82,031	1,500	-
Recoverable advances	84,212	69,642	48,706	12,156
Sundry debtors*	958,449	789,169	-	-
Total	**1,241,065**	**1,035,593**	**50,206**	**12,159**

* Sundry debtors includes, among other things, loan interest recoverable, third party fund recoverable and medical claims paid on account

27. CASH AND CASH EQUIVALENTS

The year-end cash and cash equivalents comprise the following:

	Group		Company	
	2016	2015	2016	2015
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Cash and bank balances	964,960	701,114	20,844	93,818
Short-term deposits with banks	7,247,623	10,029,209	12,345	23,731
Treasury bills maturing within 91 days after the date of acquisition	114,266	160,257	-	-
Total	**8,326,849**	**10,890,580**	**33,189**	**117,549**

28. DEFERRED INCOME TAX

Deferred income tax is calculated, in full, on all temporary differences using a principal tax rate of 30% (2014: 30%). The movement in the deferred income tax account is as follow:

	Group		Company	
	2016	2015	2016	2015
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
At start of year	123,510	82,469	(2,505)	(316)
Recognised in profit or loss	(149,922)	118,151	(1,724)	709
Recognised in OCI	(7,604)	7,963		
Prior year over provision	17,518	(85,073)	-	(2,898)
At end of year	**(16,498)**	**123,510**	**(4,229)**	**(2,505)**
Deferred tax asset	(179,687)	(73,331)	(4,229)	(2,505)
Deferred tax liability	163,189	196,841	-	-
Net deferred income tax (asset)/liability	**(16,498)**	**123,510**	**(4,229)**	**(2,505)**

Deferred income tax assets and liabilities, deferred income tax charge/ (credit) in the profit or loss and to equity is attributable to the following:

	Group Kshs '000			Company Kshs '000		
	1 January 2016	Charged to profit or loss/OCI	31 December 2016	1 January 2016	Charged to profit or loss/OCI	31 December 2016
Fair value gains on investment properties	149,099	(7,685)	141,414	-	-	-
Accelerated depreciation	60,512	(32,757)	27,755	-	-	-
Impairment provisions	(48,712)	(75,438)	(124,150)	-	-	-
Other deductible temporary differences	(37,389)	(24,128)	(61,517)	(2,505)	(1,724)	(4,229)
Net deferred income tax liability/(asset)	**123,510**	**(140,008)**	**(16,498)**	**(2,505)**	**(1,724)**	**(4,229)**

	1 January 2015	Charged to profit or loss/OCI	31 December 2015	1 January 2015	Charged to profit or loss/OCI	31 December 2015
Fair value gains on investment properties	169,240	(20,141)	149,099	-	-	-
Accelerated depreciation	33,255	27,257	60,512	-	-	-
Impairment provisions	(65,722)	17,010	(48,712)	-	-	-
Other deductible temporary differences	(54,304)	16,915	(37,389)	(316)	(2,189)	(2,505)
Net deferred income tax liability/(asset)	**82,469**	**41,041**	**123,510**	**(316)**	**(2,189)**	**(2,505)**

29. INSURANCE CONTRACT LIABILITIES

GROUP

	2016 Kshs '000	2015 Kshs '000
Short-Term insurance contracts		
Claims reported and claims handling expenses	5,766,775	5,784,740
Claims incurred but not reported (IBNR)	1,675,727	1,545,468
Total Short-Term	**7,442,502**	**7,330,208**
Long-Term insurance contracts		
Claims reported and claims handling expenses	1,054,074	556,755
Actuarial value of long term liabilities	11,784,485	10,822,200
Total Long-Term	**12,838,559**	**11,378,955**
Total Short-Term and Long-Term	**20,281,061**	**18,709,163**

Gross claims reported, claims handling expense liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvage and subrogation. The expected recoveries at the end of 2016 and 2015 are not material.

The Group uses chain-ladder techniques to estimate the ultimate cost of claims and the IBNR provision. Chain ladder techniques are used as they are an appropriate technique for mature classes of business that have a relatively stable development pattern. This involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not fully developed to produce an estimated ultimate claims cost for each accident year.

Movements in insurance liabilities and reinsurance assets are shown in Note 36.

Short –Term Insurance contracts

The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The table below illustrates how the group's estimate of total claims liability for each accident year has changed at successive year-ends.

Accident year	**2012 and prior** Kshs'000	**2013** Kshs'000	**2014** Kshs'000	**2015** Kshs'000	**2016** Kshs'000	**Total** Kshs'000
Estimate of ultimate claims cost						
at end of accident year	5,737,160	2,599,372	3,199,511	5,041,442	7,583,230	24,160,715
one year later	4,646,431	3,077,131	4,448,777	10,180,521	-	22,352,860
two years later	4,634,794	3,279,538	5,888,547	-	-	13,802,879
three years later	5,804,403	2,613,714	-	-	-	8,418,117
four years later	8,512,252	-	-	-	-	8,512,252
Incurred per accident year	8,512,252	2,613,714	5,888,547	10,180,521	7,583,230	34,778,264
Less: cumulative payments to date	(5,475,526)	(3,938,935)	(3,401,509)	(8,969,712)	(7,225,807)	(29,011,489)
Total gross claims liability included in the statement of financial position before IBNR	**3,036,726**	**(1,325,221)**	**2,487,038**	**1,210,809**	**357,423**	**5,766,775**
Incurred but not reported (IBNR)	-	-	-	-	1,675,727	1,675,727
Total gross claims liability included in the statement of financial position	**3,036,726**	**(1,325,221)**	**2,487,038**	**1,210,809**	**2,033,150**	**7,442,502**

29. INSURANCE CONTRACT LIABILITIES (CONTINUED)

Long-term insurance contracts

The Company determines its liabilities on long term insurance contracts based on assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. The cash flows for each individual policy were projected on monthly intervals, till natural expiry of the policies. A margin for risk and uncertainty is added to these assumptions. The liabilities are determined on the advice of the consulting actuary and actuarial valuations carried out on an annual basis.

Valuation assumptions

The latest actuarial valuation of the Life Fund was carried out as at 31 December 2016 by Actuarial Partners Consultants. Two valuation methods were applied, the Net Premium Value (NPV) for entities outside Kenya and the Gross Premium Valuation (GPV), for The Jubilee Insurance Company of Kenya Limited long-term fund valuation. The change in valuation method in Kenya from NPV to GPV was in compliance with the directive given by the Kenyan Insurance Regulator, and was effected for in the 2015 valuations and the period thereafter.

The Gross Premium Valuation (GPV) is generally accepted in the actuarial industry as an appropriate method to place a realistic value (with an appropriate allowance for margins) on the liabilities of a life insurance company. This method is based on a discounted cash flow approach taking into account the expected cash flows from existing in-force business. By setting appropriate assumptions this method determines liabilities which are consistent with the value of assets included in the accounts.

The more significant valuation assumptions are summarised below. The assumptions used for the previous year-end valuation are shown in brackets:

a) Mortality – The Company used KE 07-10 as a base table of standard mortality for ordinary life and KE 01-03 for annuitant life. Statistical methods are used to adjust the rates reflected in the table based on the Company's experience for ordinary life group. (2015: KE01-03 for Ordinary Life and Annuitant Life)

b) Persistency –The persistency rates used in the valuation were set according to the experience observed (by the actuary) in the Company's data.

c) The discount rate assumptions used are based on the risk-free interest rate as at 31 December 2016. This is derived by converting the Nairobi Securities Exchange Yield curve as at December 2016 to zero coupon yield.

The discount rate assumptions for 2016and 2015 are as per follows:

	Ordinary Life	Annuity Life
2016 Assumption	16.3%	16.3%
2015 Assumption	12.3%	11.3%

d) Expenses, tax and inflation – The current level of renewal expenses were taken based on the current expense position of the company. Expense inflation is assumed to be 6.2% p.a. (2015:8.9% p.a.). It has been assumed that the current tax legislation and rates continue unaltered.

Sensitivity analysis

The following table presents the sensitivity of the value of long term insurance liabilities to movements in key assumptions used in the estimation of liabilities.

Sensitivity	**Statutory Result**			
	2016		**2015**	
	Kshs '000	**% change**	**Kshs '000**	**% change**
Published	**46,409,908**		**40,604,074**	
Lapses +5%	46,411,035	0.0%	40,599,696	0%
Mortality				
Annuities: -20% insurance: +20%	46,575,227	0.4%	40,864,943	0.6%
Mortality				
Annuities: +20% insurance: -20%	46,261,010	-0.3%	40,382,657	-0.5%
Inflation +1%	46,449,045	0.1%	40,686,869	0.2%
Investment Return -1%	46,956,195	1.2%	41,296,394	1.7%

29. INSURANCE CONTRACT LIABILITIES (CONTINUED)

For liabilities under insurance contracts with fixed and guaranteed terms, key assumptions are unchanged for the duration of the contract. The following table presents the sensitivity of these contracts to movements in key assumptions used in the estimation of liabilities:

	Increase in Liability 2016 Kshs '000	Increase in Liability 2015 Kshs '000
Variables:		
Worsening of mortality +20%	165,319	260,868
Lowering of investment returns p.a. -1%	546,286	692,319
Worsening of expense inflation rate +1%	39,137	82,794
Worsening of lapse rate +5%	1,127	(4,106)

For long term insurance contracts without fixed terms and with discretionary participation in profits, the liability is set approximately equal to the value of the underlying asset of the contract, hence there is no sensitivity analysis for these types of contracts.

We have not included the valuation assumptions nor performed a sensitivity analysis for the non-Kenyan entities as the change within these life funds would not be material.

30. PAYABLE UNDER DEPOSIT ADMINISTRATION CONTRACTS

GROUP

	2016 Kshs '000	2015 Kshs '000
At start of year	30,958,100	26,864,350
Pension fund deposits received	6,068,759	5,955,193
Surrenders and annuities paid	(3,893,477)	(3,324,806)
Other movements in the fund	2,887,309	1,512,365
Exchange differences	(32,337)	(49,002)
At end of year	**35,988,354**	**30,958,100**

Deposit administration contracts are recorded at amortized cost. Movements in amounts payable under deposit administration contracts during the year are as shown above. The liabilities are shown inclusive of interest accumulated to 31 December 2016 and 2015.

31. UNEARNED PREMIUM RESERVE

GROUP

These provisions represent the liability for short-term business contracts where the Group's obligations are not expired at the year-end. Movements are shown below:

Unearned premium reserve

	2016			2015		
	Gross Kshs'000	Reinsurance Kshs'000	Net Kshs'000	Gross Kshs'000	Reinsurance Kshs'000	Net Kshs'000
At start of year	7,760,661	(3,002,842)	4,757,819	6,608,846	(3,358,077)	3,250,769
Increase/(decrease) in the period (net)	1,057,914	(82,454)	975,460	1,337,576	254,479	1,592,055
Exchange differences	(109,776)	65,996	(43,780)	(185,761)	100,756	(85,005)
At end of year	**8,708,799**	**(3,019,300)**	**5,689,499**	**7,760,661**	**(3,002,842)**	**4,757,819**

32. BORROWINGS

During the year the Group incurred no finance costs (2015: Kshs 34.9 million). The finance costs in 2015 relate to the bank borrowing of USD 15 million advanced by CFC Stanbic Bank Limited to The Jubilee Investments Company Limited (Uganda) to finance the purchase of investment properties. The loan attracted an interest at 3.75% per annum and was secured by corporate guarantee from the Company. The principal loan was fully repaid by end of July 2015.

33. OTHER PAYABLES

	Group		Company	
	2016	2015	2016	2015
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Payroll liabilities	658	9,853	-	-
Value added tax payable	284,199	261,925	-	-
Withholding taxes payable	69,739	32,903	-	81
Other liabilities*	1,133,594	1,620,159	1,769	1,879
Leave pay accrual	87,067	92,245	10,272	6,286
Accrued expenses	335,490	270,059	1,416	5,078
Total	**1,910,747**	**2,287,144**	**13,457**	**13,324**

*Other liabilities includes deferred rental income, valuation fees payables, stale cheques, deferred interest on car loans, rental deposits, among others

34. CONTINGENT LIABILITIES, COMMITMENTS AND OFF BALANCE SHEET ITEMS

The Group's companies are subject to litigation arising in the normal course of business. The Directors are of the opinion that these litigations will not have a material effect on the financial position or profits of the Group.

Treasury bonds of Kshs 3.7 billion (2015: Kshs 3.3 billion) are held under lien with the Central Bank of Kenya as security deposit in favor of the Insurance Regulatory Authority as required under the provisions of Section 32 of Kenya Insurance Act, an equivalent of Kshs 38.86 million (2015: Kshs 26.10 million) are held under lien with the Bank of Uganda as security deposit in favor of the Insurance Regulatory Authority Uganda as required under the provisions of section 7 (i) of Uganda Insurance Act and an equivalent of Kshs 141.2 million (2015: Kshs 142.1 million) are held under lien with the Bank of Tanzania as security deposit in favor of the Tanzania Insurance Regulatory Authority as required under the provisions of Tanzania Insurance Act.

The Group does not have any material outstanding commitments.

In addition, Treasury Bonds worth KShs 200 million were held under lien with Diamond Trust Bank Limited as security for Bank overdraft – KShs 30 million and custom bonds facility of KShs170 million.

The Group also has letters of guarantee amounting to KShs 200 million (2015: Kshs 200 million) with Diamond Trust Bank (K) Limited.

35. RELATED PARTY TRANSACTIONS

The largest shareholder of the Group is the Aga Khan Fund for Economic Development S.A., a company incorporated in Switzerland. There are various other companies related to Jubilee Holdings Limited through common shareholdings or common directorships. In the normal course of business, insurance policies are sold to related parties at terms and conditions similar to those offered to major clients. Related parties rendered various services to the Group during the year.

Transactions with related parties (Group)	2016	2015
Gross premium:	Kshs '000	Kshs '000
Diamond Trust Bank Limited	367,397	393,989
Industrial Promotion Services (Kenya) Limited	92,284	163,610
TPS Eastern Africa Limited	62,622	59,186
Property Development and Management Limited	18,472	21,743
Nation Media Group	164,318	183,572
Total	**705,093**	**822,100**
Net claims incurred:		
Diamond Trust Bank Limited	109,834	104,345
Industrial Promotion Services (Kenya) Limited	49,244	98,594
TPS Eastern Africa Limited	10,113	11,833
Property Development and Management Limited	8,052	13,033
Nation Media Group	146,858	87,027
Total	**324,101**	**314,832**

35. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with related parties (Group-continued)	**2016**	**2015**
Gross premium:	**Kshs '000**	**Kshs '000**
Services received from:		
Industrial Promotion Services (Kenya) Limited	134	308
TPS Eastern Africa Limited	2,346	3,151
Nation Media Group	13,114	16,310
Total	**15,594**	**19,769**
ii) Balances with related parties		
a) Group		
Outstanding premium:		
Diamond Trust Bank Limited	74,417	94,459
Industrial Promotion Services (Kenya) Limited	4,477	6,582
TPS Eastern Africa Limited	(2,282)	(166)
Property Development and Management Limited	171	1,264
Nation Media Group	13,900	8,913
Total	**90,683**	**111,052**
Outstanding claims:		
Diamond Trust Bank Limited	12,203	3,711
Industrial Promotion Services (Kenya) Limited	43,295	23,528
TPS Eastern Africa Limited	4,340	12,336
Property Development and Management Limited	450	1,010
Nation Media Group	55,678	59,648
Total	**115,966**	**100,233**
Deposits with financial institutions		
Diamond Trust Bank Limited	3,887,391	4,057,887
Total	**3,887,391**	**4,057,887**
Interest received from financial institutions		
Diamond Trust Bank Limited	281,107	525,391
Total	**281,107**	**525,391**

Transactions with related parties	**2016**	**2015**
Company	**Kshs '000**	**Kshs '000**
Due from related parties:		
Jubilee Center Burundi	554	6,221
Jubilee Insurance (Mauritius) Limited	1,597	44,785
Jubilee Investment Company Limited (Tanzania)	2,449	2,137
Jubilee Insurance Company of Burundi Limited	17,342	24,213
Jubilee Investment Company Limited (Burundi)	67,510	70,724
Total	**89,452**	**148,080**
Due to related parties		
Jubilee Insurance Company of Kenya Limited	3,252	227,095
Jubilee Insurance Company of Tanzania Limited	22,372	21,045
Jubilee Life Insurance Corporation of Tanzania Limited	109	-
Jubilee Insurance Company of Uganda Limited	7,197	5,741
Jubilee Life Insurance Company of Uganda Limited	640	-
Jubilee Investment Company Limited (Uganda)	800,354	181,277
Total	**833,924**	**435,158**
Net owing	**(744,472)**	**(287,078)**

36. MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

GROUP

(i) Short-Term insurance business

	2016			2015		
	Gross Kshs '000	Reinsurance Kshs'000	Net Kshs '000	Gross Kshs '000	Reinsurance Kshs'000	Net Kshs '000
Notified claims	5,784,740	(2,875,521)	2,909,219	6,345,858	(2,983,046)	3,362,812
Incurred but not reported	1,545,468	(581,263)	964,205	1,511,558	(492,817)	1,018,741
Total at start of year	**7,330,208**	**(3,456,784)**	**3,873,424**	**7,857,416**	**(3,475,863)**	**4,381,553**
Cash paid for claims settled during the year	(14,437,907)	5,952,216	(8,485,691)	(12,240,715)	5,094,488	(7,146,227)
Increase in liabilities:			-			-
Arising from current year claims	9,245,378	(3,687,990)	5,557,388	5,062,204	(1,953,443)	3,108,761
Arising from prior year claims	5,304,823	(2,355,497)	2,949,326	6,651,303	(3,121,966)	3,529,337
Total at end of year	**7,442,502**	**(3,548,055)**	**3,894,447**	**7,330,208**	**(3,456,784)**	**3,873,424**
Notified claims	5,766,775	(2,846,851)	2,919,924	5,784,740	(2,875,521)	2,909,219
Incurred but not reported	1,675,727	(701,204)	974,523	1,545,468	(581,263)	964,205
Total at end of year	**7,442,502**	**(3,548,055)**	**3,894,447**	**7,330,208**	**(3,456,784)**	**3,873,424**

(ii) Long-Term insurance business

	2016			2015		
	Gross Kshs '000	Reinsurance Kshs'000	Net Kshs '000	Gross Kshs '000	Reinsurance Kshs'000	Net Kshs '000
Notified claims	556,755	(181,953)	374,802	342,574	(98,727)	243,847
			-			-
Total at start of year	**556,755**	**(181,953)**	**374,802**	**342,574**	**(98,727)**	**243,847**
Cash paid for claims settled during the year	(1,145,415)	148,174	(997,241)	(1,128,092)	183,332	(944,760)
Increase in liabilities:						
Arising from current year claims	510,842	(119,744)	391,098	7,020	(96,708)	(89,688)
Arising from prior year claims	1,131,894	(171,082)	960,812	1,335,253	(169,850)	1,165,403
Total at end of year	**1,054,076**	**(324,605)**	**729,471**	**556,755**	**(181,953)**	**374,802**
Notified claims	1,054,076	(324,605)	729,471	556,755	(181,953)	374,802
Actuarial value of policy holders benefits	11,784,483	-	11,784,483	10,822,200	-	10,822,200
Total at end of year	**12,838,559**	**(324,605)**	**12,513,954**	**11,378,955**	**(181,953)**	**11,197,002**
Total at end of year Short-Term + Long-Term	**20,281,061**	**(3,872,660)**	**16,408,401**	**18,709,163**	**(3,638,737)**	**15,070,426**

37. OPERATING LEASES

GROUP

(i) Lease as lessee

The Group leases offices for some of its branches and agency operations under operating lease agreements which run for a period of two to six years with an option of renewal after expiry. The Group is restricted from entering into any sublease arrangements.

At 31 December 2016, the future minimum lease payments under non-cancellable operating leases were payable as follows:

	2016 Kshs '000	2015 Kshs '000
Within one year	52,994	71,553
Later than one year and not later than five years	123,804	191,737
Amount payable later than five years	46,426	19,912
At end of year	**223,224**	**283,202**

During the year ended 31 December 2016, Kshs 162 million (2015: Kshs 181 million) was recognized as rent expense in profit or loss.

37. OPERATING LEASES (CONTNUED)

GROUP

(ii) Lease as lessor

The Group leases out its investment property (Note 17) to various tenants under operating lease agreements which run for a period of two to six years with the option to renew after expiry. The Group does not enter into any sublease arrangements.

At 31 December 2016, the future minimum lease payments under non-cancellable operating leases were receivable as follows:

	2016 Kshs '000	2015 Kshs '000
Within one year	368,002	366,040
Later than one year and not later than five years	1,730,998	1,570,850
Amount payable later than five years	165,148	168,971
At end of year	**2,264,148**	**2,105,861**

During the year ended 31 December 2016, Kshs 317 million (2015: Kshs 290 million) was recognized as net rental income in profit or loss in respect of the investment property.

See Note 38.12 for the accounting policy in leases.

38. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

38.1 BASIS OF PREPARATION

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and the manner required by the Kenyan Companies Act, 2015. The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (Kshs), rounded to the nearest thousand, unless otherwise indicated.

New Standards, amendments and interpretations to existing standards that are effective and adopted in the 2016 annual financial statements

The Group has adopted the following new standards and amendments during the period/year ended 31 December 2016, including consequential amendments to other standards with the date of initial application by the Group being 1 January 2016. The nature and effects of the changes are explained below:

- New standard or amendments
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciations and Amortisation
- Amendments to IAS 41 - Bearer Plants (Amendments to IAS 16 and IAS 41)
- Equity Method in Separate Financial Statements (Amendments to IAS 27)
- IFRS 14 Regulatory Deferral Accounts
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)
- Disclosure Initiative (Amendments to IAS 1)
- Annual improvements cycle (20112-20140 – various standards

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interest in the joint operation will not be re-measured. The amendments apply prospectively for annual periods beginning on or after 1 January 2016.

The adoption of these changes did not have any impact on the financial statements of the as there were not acquisitions done within the year under review.

Amendments to IAS 41- Bearer Plants (Amendments to IAS 16 and IAS 41)

The amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture require a bearer plant (which is a living plant used solely to grow produce over several periods) to be accounted for as property, plant and equipment in accordance with IAS 16 Property, Plant and Equipment instead of IAS 41 Agriculture. The produce growing on bearer plants will remain within the scope of IAS 41.The new requirements are effective from 1 January 2016.

The adoption of these changes did not have any impact on the financial statements of the Group as it does not have bearer plants.

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments apply prospectively for annual periods beginning on or after 1 January 2016.

The adoption of these changes did not have any impact on the financial statements of the Group as we continue to use the straight line depreciation method on property, plant and equipment. On Intangible assets, the correlation between the software and revenue is not 'high'.

38. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

38.1. BASIS OF PREPARATION (CONTINUED)

New Standards, amendments and interpretations to existing standards that are effective and adopted in the 2016 annual financial statements (continued)

Equity Method in Separate Financial Statements (Amendments to IAS 27)

The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures but also for subsidiaries. The amendments apply retrospectively for annual periods beginning on or after 1 January 2016.

The adoption of these changes did not have a significant impact on the financial statements of the Group.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 provides guidance on accounting for regulatory deferral account balances by first-time adopters of IFRS. To apply this standard, the entity has to be rate-regulated i.e. the establishment of prices that can be charged to its customers for goods and services is subject to oversight and/or approval by an authorised body.

The standard is effective for financial reporting years beginning on or after 1 January 2016.

The adoption of these changes did not have any impact on the financial statements of the Group given that it is not first-time adopter of IFRS and does not operate in a rate regulated industry.

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)

The amendment to IFRS 10 *Consolidated Financial Statements* clarifies which subsidiaries of an investment entity are consolidated instead of being measured at fair value through profit and loss. The amendment also modifies the condition in the general consolidation exemption that requires an entity's parent or ultimate parent to prepare consolidated financial statements. The amendment clarifies that this condition is also met where the ultimate parent or any intermediary parent of a parent entity measures subsidiaries at fair value through profit or loss in accordance with IFRS 10 and not only where the ultimate parent or intermediate parent consolidates its subsidiaries.

The amendment to IFRS 12 *Disclosure of Interests in Other Entities* requires an entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss in accordance with IFRS 10 to make disclosures required by IFRS 12 relating to investment entities.

The amendment to IAS 28 *Investments in Associates and Joint Ventures* modifies the conditions where an entity need not apply the equity method to its investments in associates or joint ventures to align these to the amended IFRS 10 conditions for not presenting consolidated financial statements.

The amendments introduce relief when applying the equity method which permits a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair value through profit or loss measurement applied by the associate or joint venture to its subsidiaries.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016.

The adoption of these changes did not have a significant impact on the financial statements of the Group.

Disclosure Initiative (Amendments to IAS 1)

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted.

The adoption of these changes did not have a significant impact on the financial statements of the Group.

38. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

38.1. BASIS OF PREPARATION (CONTINUED)

New Standards, amendments and interpretations to existing standards that are effective and adopted in the 2016 annual financial statements (continued)

Annual improvements cycle (2012-2014 – various standards)

Standard	Amendments
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	**Changes in methods of disposal.** Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.
IFRS 7 Financial Instruments: Disclosures (with consequential amendments to IFRS 1)	**Servicing contracts**. Adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. **Applicability of the amendments to IFRS 7 to condensed interim financial statements.** Clarifies the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements.
IAS 19 Employee Benefits	**Discount rate: regional market issue.** Clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).
IAS 34 Interim Financial Reporting	**Disclosure of information 'elsewhere in the interim financial report'.** Clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference

The adoption of these changes did not have a significant impact on the financial statements of the Group.

New Standards, amendments and interpretations to existing standards that are not yet effective and have already been early adopted by the Group

IFRS 9 Financial instruments (2009)

The Group adopted IFRS 9 (2009) in the financial statements for the year ended 31 December 2009. This standard introduced new requirements for the classification and measurement of financial assets. Financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

The Group early adopted IFRS 9 Financial Instruments part 1: classification and measurement (IFRS9) in 2009 in advance of its effective date. The standard replaced parts of IAS 39 relating to classification and measurement of financial assets.

The Group chose 31 December 2009 as its date of initial application (i.e. the date on which the Company has assessed its existing financial assets) as this was the first reporting period end since the Standard was issued on 12 November 2009. The Standard was applied prospectively in accordance with the transition rules for entities adopting the Standard before 1 January 2012, comparative financial information was hence not restated.

The key features of the Standard are:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification is based on contractual cash flow characteristics of the instrument.

- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealized and realized fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Only financial assets that are classified as measured at amortised cost are tested for impairment. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

38. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

38.1. BASIS OF PREPARATION (CONTINUED)

New Standards, amendments and interpretations to existing standards that are not yet effective and have already been early adopted by the Group (continued)

IFRS 9 Financial instruments (2009) (continued)

The Group has not elected to designate any debt instruments meeting the amortised cost criteria as at fair value through profit or loss (FVTPL).Investments in equity instruments are classified and measured as at FVTPL except if the equity investment is not held for trading and is designated by the Group as at fair value through other comprehensive income (FVTOCI). If the equity investment is designated as at FVTOCI, all gains and losses, except for dividend income recognised in accordance with IAS 18 Revenue, are recognised in other comprehensive income and are not subsequently reclassified to profit or loss.

The Directors reviewed and assessed all of the Group's existing financial assets as at the date of initial application of IFRS 9 (2009) and as a result:

- The Group's investments in debt instruments meeting the required criteria are measured at amortised cost;
- The Group's quoted equity investments not held for trading have been designated as at FVTOCI;
- The Group's remaining investments in equity investments are measured at FVTPL;

The reclassification of financial assets on initial application of IFRS 9 (2009) changed either the measurement basis and/or the policy for the recognition of gains or losses for the financial assets in the short term business of the Group:

- Unquoted equity and some counters of quoted equity instruments that were previously measured at fair Value and classified as available-for-sale were reclassified to FVTPL;
- The remaining investments in equity instruments that were previously measured at fair value and classified as available for-sale were designated as at FVTOCI.

New Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2016, and have not been applied in preparing these financial statements.

The Group does not plan to adopt these standards early. These are summarised below;

New standard or amendments	**Effective for annual periods beginning on or after**
• Disclosure Initiative (Amendments to IAS 7)	1 January 2017
• Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	1 January 2017
• IFRS 15 Revenue from Contracts with Customers	1 January 2018
• IFRS 9 Financial Instruments (2014)	1 January 2018
• Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	1 January 2018
• Applying IFRS 9 Financial Instruments with IFRS 4 • Insurance Contracts (Amendments to IFRS 4)	1 January 2018
• IFRS 16 Leases	1 January 2019
• Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).	To be determined

38. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

38.1. BASIS OF PREPARATION (CONTINUED)

New Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

Disclosure Initiative (Amendments to IAS 7)

The amendments in *Disclosure Initiative (Amendments to IAS 7)* come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The International Accounting Standards Board (IASB) requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The IASB defines liabilities arising from financing activities as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities". It also stresses that the new disclosure requirements also relate to changes in financial assets if they meet the same definition.

The amendments state that one way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.

The amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Since the amendments are being issued less than one year before the effective date, entities need not provide comparative information when they first apply the amendments.

The Group is assessing the potential impact of the adoption of these amendments to its consolidated financial statements.

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

The amendments in Recognition of Deferred Tax Assets for Unrealised Losses clarify the following aspects:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. As transition relief, an entity may recognise the change in the opening equity of the earliest comparative period in opening retained earnings on initial application without allocating the change between opening retained earnings and other components of equity. The Board has not added additional transition relief for first-time adopters

The Group is assessing the potential impact of the adoption of these amendments to its consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The standard specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures.

The standard provides a single, principles based five-step model to be applied to all contracts with customers in recognising revenue being: identify the contract(s) with a customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contract; and recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

38. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

38.1. BASIS OF PREPARATION (CONTINUED)

New Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

IFRS 9: Financial Instruments (2014)

On 24 July 2014 the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard introduces changes in the measurement bases of the financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model.

The standard is effective for annual period beginning on or after 1 January 2018 with retrospective application, early adoption permitted. The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 9.

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

The following clarifications and amendments are contained in the pronouncement:

- ***Accounting for cash-settled share-based payment transactions that include a performance condition***
  Up until this point, IFRS 2 contained no guidance on how vesting conditions affect the fair value of liabilities for cash-settled share-based payments. IASB has now added guidance that introduces accounting requirements for cash-settled share-based payments that follows the same approach as used for equity-settled share-based payments.

- ***Classification of share-based payment transactions with net settlement features***
  IASB has introduced an exception into IFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

- ***Accounting for modifications of share-based payment transactions from cash-settled to equity-settled***
  Up until this point, IFRS 2 did not specifically address situations where a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions. The IASB has introduced the following clarifications:

  - On such modifications, the original liability recognised in respect of the cash-settled share-based payment is derecognised and the equity-settled share-based payment is recognised at the modification date fair value to the extent services have been rendered up to the modification date.

  - Any difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date would be recognised in profit and loss immediately.

The amendments are effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments are to be applied prospectively. However, retrospective application if allowed if this is possible without the use of hindsight. If an entity applies the amendments retrospectively, it must do so for all of the amendments described above.

The adoption of these changes will not affect the amounts and disclosures of the Group's financial statements since it does not and does not intend to enter into share-based payment transactions.

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

The amendments in applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4) provide two options for entities that issue insurance contracts within the scope of IFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
- an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

38. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

38.1. BASIS OF PREPARATION (CONTINUED)

New Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

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

An entity applies the overlay approach retrospectively to qualifying financial assets when it first applies IFRS 9. Application of the overlay approach requires disclosure of sufficient information to enable users of financial statements to understand how the amount reclassified in the reporting period is calculated and the effect of that reclassification on the financial statements.

An entity applies the deferral approach for annual periods beginning on or after 1 January 2018. Predominance is assessed at the reporting entity level at the annual reporting date that immediately precedes 1 April 2016. Application of the deferral approach needs to be disclosed together with information that enables users of financial statements to understand how the insurer qualified for the temporary exemption and to compare insurers applying the temporary exemption with entities applying IFRS 9. The deferral can only be made use of for the three years following 1 January 2018. Predominance is only reassessed if there is a change in the entity's activities.

The Group is assessing the potential impact on its financial statements resulting from the application of these amendments.

IFRS 16: Leases

On 13 January 2016 the IASB issued IFRS 16 Leases, completing the IASB's project to improve the financial reporting of leases. IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related interpretations.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The standard defines a lease as a contract that conveys to the customer ('lessee') the right to use an asset for a period of time in exchange for consideration.

A company assesses whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time.

The standard eliminates the classification of leases as either operating leases or finance leases for a lessee and introduces a single lessee accounting model. All leases are treated in a similar way to finance leases. Applying that model significantly affects the accounting and presentation of leases and consequently, the lessee is required to recognise:

a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A company recognises the present value of the unavoidable lease payments and shows them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments.

b) depreciation of lease assets and interest on lease liabilities in profit or loss over the lease term; and

c) separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (typically presented within either operating or financing activities) in the statement of cash flows

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, compared to IAS 17, IFRS 16 requires a lessor to disclose additional information about how it manages the risks related to its residual interest in assets subject to leases.

The standard does not require a company to recognise assets and liabilities for:

a) short-term leases (i.e. leases of 12 months or less) and;

b) leases of low-value assets

The new Standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted insofar as the recently issued revenue Standard, IFRS 15 Revenue from Contracts with Customers is also applied.

The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

38. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

38.1. BASIS OF PREPARATION (CONTINUED)

New Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

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

The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised.

The effective date for these changes has now been postponed until the completion of a broader review.

The Group is assessing the potential impact on its financial statements resulting from the application of these amendments.

38.2. CONSOLIDATION

a) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value over any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

b) Investment in Associates

Associates are all entities over which the Group has significant influence, but not control, or joint control over the financial and operating policies, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investments in associates include goodwill identified on acquisition net of all accumulated impaired losses.

The Group's share of its associates' post-acquisition profits or losses is recognised in the profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution of gains and losses arising from investment in associates are recognised in the profit or loss.

c) Foreign currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Kenya Shillings, which is the Company's functional and presentation currency.

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the respective entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

38. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

38.2. CONSOLIDATION (CONTINUED)

c) Foreign currency (Continued)

(i) Foreign currency transactions (Continued)

Non-monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate when the fair value was determined.

(ii) Consolidation of group entities

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date
- Income and expenses for each profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are recognized in the statement of other comprehensive income and accumulated in shareholders' equity (translation reserve). When a foreign operation is disposed of in its entirety or partially such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its investment in a subsidiary but retains control, then the relative proportion of the cumulative reserve is re attributed to NCI. When the Group disposes of only part of an associate while retaining significant influence, the relative proportion of the cumulative amount is reclassified to profit or loss.
Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

38.3. SEGMENT INFORMATION

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group chief strategy & administration officer, to make decisions about resources allocated to each segment and assess its performance, and for which discrete information is available.

Group costs are allocated to segments on a reasonable and consistent basis. Transactions between segments are generally accounted for in accordance with Group policies as if the segment were a stand-alone business with intra segment revenue and cost being eliminated in head office.

The Chief Operating Decision Maker within the Group is the Jubilee Holdings Limited Board of Directors. The group results are analyzed across 9 operating segments based on a combination of geographical areas and products and services. There are five geographical segments: Kenya, Uganda, Tanzania, Burundi and Mauritius within which there are three segments classified according to products and services: General including Medical, Ordinary, Group Life & Pensions and Investments. This is consistent with the way the Group manages the business.

General excluding medical means insurance business of any class or classes not being long term insurance business. Classes of General Insurance include, Engineering insurance, Fire insurance - domestic risks, Fire insurance - industrial and commercial risks, Liability insurance, Marine insurance, Motor insurance - private vehicles , Motor insurance - commercial vehicles, Personal accident insurance, Theft insurance ,Workmen's Compensation and Employer's Liability insurance and Miscellaneous insurance (i.e. class of business not included under those listed above).

Medical: Medical insurance means the business of affecting and carrying out contracts of insurance against costs of otherwise non-recoverable medical and surgical expenses necessarily and reasonably incurred by a member as a direct result of sustaining accidental bodily injury and/or illness and/or disease within the period of insurance subject to the policy provisions/ terms, exclusions and conditions Medical and general have been aggregated as the Group does not hold the assets and liabilities separately.

Ordinary & Group Life: Includes insurance business of all or any of the following classes, namely, life assurance business, superannuation business and business incidental to any such class of business; Life assurance business means the business of, or in relation to, the issuing of, or the undertaking of liability to pay money on death (not being death by accident or in specified sickness only) or on the happening of any contingency dependent on the termination or continuance of human life (either with or without provision for a benefit under a continuous disability insurance contract), and include a contract which is subject to the payment of premiums for term dependent on the termination or continuance of human life and any contract securing the grant of an annuity for a term dependent upon human life; Superannuation business means life assurance business, being business of, or in relation to, the issuing of or the undertaking of liability under superannuation, group life and permanent health insurance policy.

The segments are individually considered by management when making decisions and they are the basis for resource allocation and performance measurement by the Board of Directors. There are no reconciling differences between the primary financial statements of the Group and the reported segmental information.

The Group accounts for inter-segmental transactions as if the transactions were to third parties. Any outstanding amounts owing within the Group companies most of which constitutes dividends payable are included under group eliminations.

Results of activities considered incidental to Jubilee Holdings main operations as well as unallocated revenues and expenses, liabilities and assets have been categorized under investments segment. There are no reconciling differences between the primary financial statements of the Group and the reported segmental information.

The Group has a widely diversified policy holder base and is therefore not reliant on any individual major customers.

38. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

38.4 INSURANCE CONTRACTS

a) Classification

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines as significant insurance risk, the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. See accounting policy for these contracts under 38.5. Insurance contracts and investment contracts are classified into two main categories, depending on the duration of risk and as per the provisions of the Insurance Act.

(i) Long-term insurance business

Includes insurance business of all or any of the following classes, namely, life assurance business, superannuation business and business incidental to any such class of business;

Life assurance business means the business of, or in relation to, the issuing of, or the undertaking of liability to pay money on death (not being death by accident or in specified sickness only) or on the happening of any contingency dependent on the termination or continuance of human life (either with or without provision for a benefit under a continuous disability insurance contract), and include a contract which is subject to the payment of premiums for term dependent on the termination or continuance of human life and any contract securing the grant of an annuity for a term dependent upon human life;

Superannuation business means life assurance business, being business of, or in relation to, the issuing of or the undertaking of liability under superannuation, group life and permanent health insurance policy.

(ii) General insurance business

General insurance business means insurance business of any class or classes not being long term insurance business.

Classes of General Insurance Include, Engineering insurance, Fire insurance - domestic risks, Fire insurance - industrial and commercial risks, Liability insurance, Marine insurance, Motor insurance - private vehicles , Motor insurance - commercial vehicles, Personal accident insurance, Theft insurance ,Workmen's Compensation and Employer's Liability insurance and Miscellaneous insurance (i.e. class of business not included under those listed above)

Motor insurance business means the business of affecting and carrying out contracts of insurance against loss of, or damage to, or arising out of or in connection with the use of, motor vehicles, inclusive of third party risks but exclusive of transit risks.

Personal Accident insurance business means the business of affecting and carrying out contracts of insurance against risks of the persons insured sustaining injury as the result of an accident or of an accident of a specified class or dying as the result of an accident or of an accident of a specified class or becoming incapacitated in consequence of disease or of disease of a specified class.

Fire insurance business means the business of affecting and carrying out contracts of insurance, otherwise than incidental to some other class of insurance business against loss or damage to property due to fire, explosion, storm and other occurrences customarily included among the risks insured against in the fire insurance business.

Medical insurance means the business of affecting and carrying out contracts of insurance against costs of otherwise non-recoverable medical and surgical expenses necessarily and reasonably incurred by a member as a direct result of sustaining accidental bodily injury and/or illness and/or disease within the period of insurance subject to the policy provisions/ terms, exclusions and conditions
Marine insurance business means the business of affecting and carrying out contracts of insurance against loss of consignment of goods during transit.

Burglary insurance business relates to contracts of insurance against loss due to theft involving actual break in or break out.

b) Recognition and measurement

(i) Premium income

For long term insurance business, premiums are recognized as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission.

For general insurance business, Premium income is recognized on assumption of risks, and includes estimates of premiums due but not yet received, less an allowance for cancellations, and less unearned premium. Unearned premiums represent the proportion of the premiums written in periods up to the accounting date that relates to the unexpired terms of policies in force at the reporting date. Whilst all other subsidiaries computed the reserve based on the 24ths method, The Jubilee Insurance Company of Kenya Limited revised the method of computing the unearned premiums to the 1/365th method with effect from 1 January 2014.

Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

(ii) Claims and policy holders benefits payable

For long term insurance business, benefits are recorded as an expense when they are incurred. Claims arising on maturing policies are recognized when the claim becomes due for payment. Death claims are accounted for on notification. Surrenders are accounted for on payment.

38. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

38.4 INSURANCE CONTRACTS (CONTINUED)

b) Recognition and measurement (continued)

(ii) Claims and policy holders benefits payable (continued)

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognized. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used (the valuation premiums). The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued. A margin for adverse deviations is included in the assumptions.

Where insurance contracts have a single premium or a limited number of premium payments due over a significantly shorter period than the period during which benefits are provided, the excess of the premiums payable over the valuation premiums is deferred and recognized as income in line with the decrease of unexpired insurance risk of the contracts in-force or, for annuities in force, in line with the decrease of the amount of future benefits expected to be paid. The liabilities are recalculated at each reporting date using the assumptions established at inception of the contracts.

For general insurance business, 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 reporting date, but not settled at that date. Outstanding claims are computed on the basis of the best information available at the time the records for the year are closed, and include provisions for claims incurred but not reported ("IBNR"). Outstanding claims are not discounted.

(iii) Commissions and deferred acquisition costs ("DAC")

Commissions earned and payable are recognized in the period in which relevant premiums are written. A proportion of commission payable is deferred and amortized over the period in which the related premium is earned. Deferred acquisition costs represent a proportion of acquisition costs that relate to policies that are in force at the year end.

(iv) Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision). As set out in Note 38.4(a) above, long-term insurance contracts are measured based on assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

(v) Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when due.

The Group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the profit or loss. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortized cost. The impairment loss is also calculated following the same method used for these financial assets.

(vi) Receivables and payables related to insurance contracts and investment contracts

Receivables and payables are recognized when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognizes that impairment loss in profit or loss. The Group gathers the objective evidence that an insurance 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.

(vii) Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Group may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognized in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognized in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

38. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

38.5 INVESTMENT CONTRACTS

The Group issues investment contracts with fixed and guaranteed terms (fixed interest rate). The investment contracts include funds administered for a number of retirement benefit schemes.

For investment contracts with fixed and guaranteed terms, the amortized cost basis is used. In this case, the liability is initially measured at its fair value less transaction costs that are incremental and directly attributable to the acquisition or issue of the contract.

Subsequent measurement of investment contracts at amortized cost uses the effective interest method. This method requires the determination of an interest rate (the effective interest rate) that exactly discounts to the net carrying amount of the financial liability, the estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period if the holder has the option to redeem the instrument earlier than maturity.

The Group re-estimates at each reporting date the expected future cash flows and recalculates the carrying amount of the financial liability by computing the present value of estimated future cash flows using the financial liability's original effective interest rate. Any adjustment is immediately recognized as income or expense in profit or loss.

38.6 REVENUE RECOGNITION

(i) Insurance premium revenue

The revenue recognition policy relating to insurance contracts is set out under note 38.4 (b) (i).

(ii) Non interest income from financial investments

The revenue recognition policy for non-interest income from financial investments is disclosed in note 38.10.

(iii) Interest income and expenses

Interest income and expense for all interest-bearing financial instruments, including financial instruments measured at fair value through profit or loss, are recognized within 'investment income' and 'finance costs' in the profit or loss using the effective interest rate method.

(iv) Dividend income

Dividend income for available-for-sale equities is recognized when the right to receive payment is established – this is the ex-dividend date for equity securities.

(v) Rental income from investment properties

Rental income is recognised in the period it is earned.

(vi) Commission earned

The revenue recognition policy on commission is disclosed in note 38.4 (b) (iii).

38.7 PROPERTY AND EQUIPMENT

All categories of property and equipment are initially recorded at cost. Property and equipment are subsequently measured at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight line method to write down their cost to their residual values over their estimated useful lives, as follows:

Computers	3 years
Office equipment	4 years
Motor vehicles	5 years
Furniture, fixtures and fittings	10 years

These rates have been applied consistently over the years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are included in profit or loss.

38. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

38.8 INVESTMENT PROPERTY

Buildings, or part of a building, (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation are classified as investment property.

Investment property is measured at cost on initial recognition and subsequently measured at fair value. Directors monitor the investment property market and economic conditions, including general and property inflation, on a regular basis to identify changes in market conditions that may lead to significant change in fair value, and conducts a formal and independent property valuation at least once every three years and adjusts the recorded fair values accordingly for any significant change. Changes in fair values are included in investment income in the profit or loss.

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

38.9 INTANGIBLE ASSETS

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each country of operation by each reporting segment.

(ii) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (three to five years). Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads. Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding three years).

38.10 FINANCIAL ASSETS AND LIABILITIES

(ii) Debt instruments at amortized cost using the effective interest method (continued)

The Group early adopted IFRS 9 Financial Instruments part 1: classification and measurement (IFRS9) the financial statements for the year ended 31 December 2009, in advance of its effective date. The standard replaced parts of IAS 39 relating to classification and measurement of financial assets. This standard introduced new requirements for the classification and measurement of financial assets.

All financial assets are recognized and derecognized on trade date when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL), which are initially measured at fair value.

All recognized financial assets are subsequently measured in their entirety at either amortized cost or fair value.

Fair values of quoted investments in active markets are based on quoted bid prices. Fair values for unquoted investments are estimated using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

(i) Classification of financial assets

For the purposes of classifying financial assets an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer (under IAS 32 Financial Instruments: Presentation). All other non-derivative financial assets are 'debt instruments'.

(ii) Debt instruments at amortized cost using the effective interest method

Debt instruments are measured at amortized cost if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs, except if they are designated as at FVTPL. They are subsequently measured at amortized cost using the effective interest method less any impairment, with interest revenue recognized on an effective yield basis in investment revenue.

Subsequent to initial recognition, the Group is required to reclassify debt instruments from amortized cost to FVTPL if the objective of the business model changes so that the amortized cost criteria are no longer met.

38. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

38.10 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

The Group may irrevocably elect at initial recognition to classify a debt instrument that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.

All financial assets are recognized and derecognized on trade date when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL), which are initially measured at fair value.

All recognized financial assets are subsequently measured in their entirety at either amortized cost or fair value.

Fair values of quoted investments in active markets are based on quoted bid prices. Fair values for unquoted investments are estimated using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

(iii) Classification of financial assets

For the purposes of classifying financial assets an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer (under IAS 32 Financial Instruments: Presentation). All other non-derivative financial assets are 'debt instruments'.

(iv) Equity instruments at fair value through other comprehensive income (FVTOCI)

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading. A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.
  Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the fair value reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established in accordance with IAS 18 Revenue, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends earned are recognized in profit or loss and are included in the 'investment income' line item.

(v) Financial assets at FVTPL

Debt instrument financial assets that do not meet the amortized cost criteria or that meet the criteria but the entity has chosen to designate as at FVTPL at initial recognition, are measured at FVTPL. The Group has not designated a debt instrument financial asset as at FVTPL.

Subsequent to initial recognition, the Group is required to reclassify debt instruments from FVTPL to amortized cost if the objective of the business model changes so that the amortized cost criteria starts to be met and the instrument's contractual cash flows meet the amortized cost criteria. Reclassification of debt instruments designated as at FVTPL at initial recognition is not permitted.

Investments in equity instruments are classified as at FVTPL, unless the Group designates an investment that is not held for trading as at FVTOCI at initial recognition.

(vi) De-recognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset.

(vii) Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

(viii) Financial liabilities at FVTPL

The Group does not have financial liabilities classified as at FVTPL.

38. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

38.10 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(ix) Other financial liabilities

Other financial liabilities which includes creditors arising out of reinsurance arrangements and direct insurance arrangement, borrowings and other payable, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

(x) De-recognition

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The condition is met when the liability is settled by paying the creditors, or when the Group is released from primary responsibility for the financial liability either by process of law or by creditor.

(xi) Impairment of financial assets

a) Financial assets carried at amortized cost

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or 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 have occurred after the 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 Group about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
- 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 flow 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:
    - o adverse changes in the payment status of issuers or debtors in the Group; or
    - o National or local economic conditions that correlate with defaults on the assets in the Group.

The Group assesses whether objective evidence of impairment exists individually for financial assets. If there is objective evidence that an impairment loss has been incurred on investments carried at amortized cost, 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 been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with exception of receivables arising out of reinsurance or direct insurance arrangements, where the carrying amount is reduced through an allowance account. The impairment loss is recognized directly through profit or loss.

b) Impairment of other non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, are tested annually for impairment. Assets that are subject to amortisation (other than investment property) 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 to sell and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of the money and the risks specific to the asset or cash generating unit.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

The impairment loss is recognized directly through profit or loss.

c) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

d) Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the renegotiated terms apply in determining whether the asset is considered to be past due.

38. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

38.11 HEDGE ACCOUNTING

The Group designates certain instruments as either: (i) hedges of the fair value of recognized assets or liabilities or of a firm commitment (fair value hedge); (ii) hedges of highly probable forecast transactions (cash flow hedges); or (iii) hedges of net investments in foreign operations (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are expected to be and have been highly effective in offsetting changes in fair values or cash flows of hedged items.

Net investment hedge

The Group applies hedge accounting to foreign currency differences between the functional currency of the foreign operation and the Company's functional currency (Kenya shillings).Foreign currency differences arising on the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognized in other comprehensive income to the extent that the hedge is effective, and are presented in the translation reserve within equity. To the extent that the hedge is ineffective, such differences are recognized in profit or loss. When the hedged net investment is disposed of, the relevant amount in the translation reserve is transferred to profit or loss as part of the gain or loss on disposal

38.12 ACCOUNTING FOR LEASES

Leases of property and equipment where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired under finance leases are capitalized at the inception of the lease at the lower of their fair value and the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in non-current liabilities. The interest element of the finance charge is charged to profit or loss over the lease period. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the lease term or the estimated useful life of the asset.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

38.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

38.14 EMPLOYEE BENEFITS

(i) Short-term benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Retirement benefit obligations

The Group operates defined contribution retirement benefit scheme for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The assets of all schemes are held in separate trustee administered funds, which are funded by contributions from both the Group and employees. The Group and all its employees also contribute to the appropriate Social Security Fund, which are defined contribution schemes. The Group's contributions to the defined contribution schemes are charged to profit or loss in the year to which they relate.

(iii) Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognized as an expense accrual.

38. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

38.15 INCOME TAX EXPENSE

Income tax expense is the aggregate of the charge to profit or loss in respect of current income tax and deferred income tax.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Deferred income tax is provided in full on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would flow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale. Deferred tax assets and liabilities are offset only if certain criteria are met.

38.16 DIVIDENDS

Dividends payable to the Group's shareholders are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until approved.

38.17 SHARE CAPITAL

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

38.18 CONCESSION ARRANGEMENTS

One of the Group entities has entered into an arrangement to construct a public utility on behalf of a government under 'build-operate-transfer service concession arrangement. This arrangement is accounted for in accordance with IFRIC 12 – "Concession Arrangement". In order to fall within the scope of IFRIC 12 a contract must satisfy two criteria:

The grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them and at what price; and the grantor controls significant residual interest in the infrastructure at the end of the concession arrangement.

In accordance with IFRIC 12, such infrastructure is not recognized as assets of the operator as property, plant and equipment but either as financial assets (using the financial asset model) or intangible assets (using the intangible assets model). The infrastructure with respect to the construction is accounted for as a financial asset as in this case the Group has an unconditional right to receive cash from government while not retaining any significant demand risk.

Financial assets resulting from the application of IFRIC 12 are recorded as non-current assets and measured at amortized cost.

In accordance with IAS 39 – Financial Instruments, an impairment loss is recognized if the carrying amount of these financial assets exceeds their fair value, which is computed by estimating the recoverable amount using discounted cash flows.

38.19 COMPARATIVES

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

39. PRIOR YEAR ADJUSTMENT

Changes that were made to the retained earnings and relating to prior period are summarised below.

Geographical segment	Adjustment Kshs '000	Comment
Tanzania	(4,848)	Relates to Shareholders' share of withholding tax on the 2015 bonus issue passed to retained earnings in 2016
Uganda	(1,764)	Relates to the net prior year retained earning adjustments passed in 2016 in Uganda entities
Total	**(6,612)**	

GROUP REVIEW—TEN YEARS

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Group Review 10 years	Kshs million									
Shareholders' Funds	19,946	19,098	15,439	12,431	8,020	6,154	5,114	3,389	2,871	3,606
Share Capital	329	329	299	299	299	272	248	225	225	225
Long-Term Business Funds	48,827	42,337	38,652	28,743	23,476	18,802	14,637	11,495	11,730	9,333
Total Assets	90,568	82,378	74,506	61,159	47,418	38,040	30,691	23,736	20,203	17,942
Profit Before Tax	4,563	4,145	3,949	3,151	2,693	2,144	2,053	1,116	901	810
Profit Attributable to Shareholders	3,297	2,814	2,880	2,255	2,115	1,802	1,756	825	636	617
Profit Attributable to Non - Controlling interest	379	307	224	248	169	108	83	89	77	46
Dividends to Shareholders	560	560	509	419	419	299	272	203	191	191
Dividend Cover Ratio	5.89	5.03	5.66	5.38	5.05	6.02	6.45	4.07	3.33	3.23
Bonus Issue	1:10	0:00	1:10	0:00	0:00	1:10	1:10	1:10	0:00	0:00
*Earnings Per Share (Kshs) (par value Kshs 5)	50.04	42.71	43.71	34.23	32.10	27.35	26.65	12.52	9.65	9.36

* Earnings per share has been calculated on 65.885 million shares for all the year.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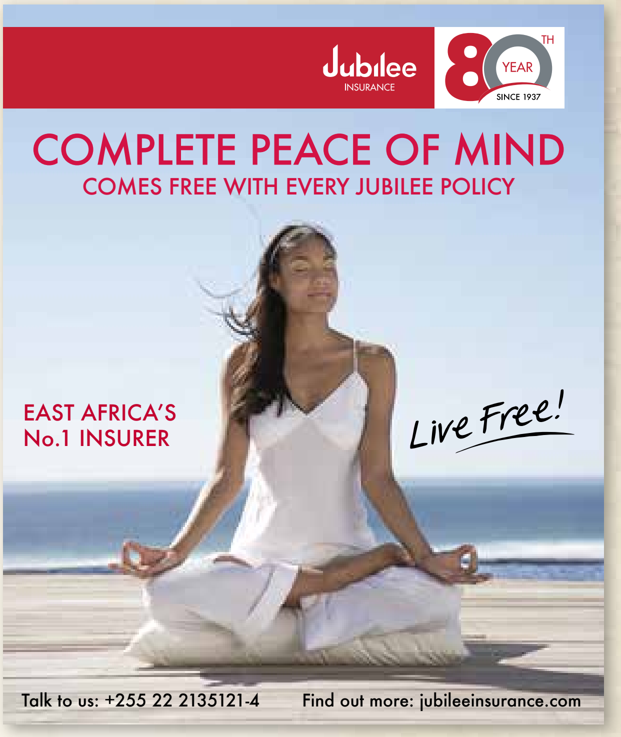
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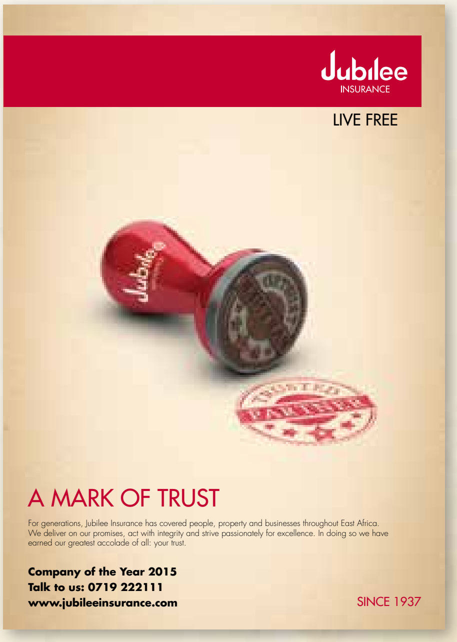
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CEO Jubilee Insurance Deepak Pandey, GM Jubilee Life Ajit Kumar, Managing Director of Basic and Tertiary Ministry of Education Lyazi Nsumba, Country Diplomatic Representative for Aga Khan Amin Mawji, Director of Education and Social Services Ms. Namuddu Nambi Juliet, CEO- UIA Ms. Miriam Magala with pupils of Nakasero Primary School during the launch of the Live Free Painting Competition project. The project is part of the 80th anniversary projects that will sponsor the winners from government sponsored schools through school.

Jubilee Insurance Kenya CEO Patrick Tumbo and KEPSHA Chairman Shem Ndolo helping the children during the launch of the Live Free Painting Competition at Donholm Primary School.

Professional Kenyan athletes and Jubilee Insurance staff participating in the Parklands Half Marathon competition to support Haki Foundation and Kenya Kidney Lupus Foundation in helping patients with kidney problems.

Jubilee Insurance during a cleanup exercise of Thika Town.

Jubilee Insurance staff pose with Jaipur Foot beneficiaries from Kitale after fitting.

THINK BUSINESS INSURANCE AWARDS 2016 - KENYA

Winner

Medical Underwriter of the Year Award
Marketing Initiative Award
Fraud Detection & Prevention Award
Major Loss Award
Claims Settlement Award - General
The Risk Management Award
General Insurer of the Year Award

2nd Runners Up

Training Award
Customer Satisfaction Award
Claims Settlement Award - Life
The ICT Award
Life Insurer of the Year Award

AKI AGENTS AWARDS 2016 - KENYA

Winner

Most Improved Company Award - for the growth in the number of agents who qualified in 2015 compared to 2014
Group Life Innovation Award

AGENT'S CHOICE AWARDS 2016 - KENYA

Winner

Best Product (Petrol Stations Insurance)
Training Excellent and Impact
Risk Management Solution Award
Corporate Social Responsibility
Agent of The Year Award - Moses Nderitu - WINNER - Jubilee Insurance

2nd Runners Up

Agent of The Year Award - Clarice Akinyi - 2ND RUNNERS-UP - Jubilee Insurance

FIRE AWARDS 2016 - KENYA

1st Runner Up

Insurance Category - Jubilee Insurance

THINK BUSINESS INVESTMENT AWARDS 2016 - KENYA

1st Runner Up

Occupational Scheme of the Year

2nd Runners Up

Pension Administrator of the Year

BURUNDI REVENUE AUTHORITY AWARD 2016 - BURUNDI

Winners of the Excellence Award for Medium Enterprises

TANZANIA LEADERSHIP AWARDS 2017 - TANZANIA

Winners of the Insurance Company of the Year Award

AKI AGENTS OF THE YEAR 2017 - KENYA

Most Improved Company Award - Group Life
General Insurance Company the year award 2016 - 1st Runners up

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To provide solutions to protect the future of our customers.

OUR VALUES

Integrity, Passion, Excellence and Teamwork.

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