Innovations




Annual Report and
Financial Statements
2013

Jubilee
HOLDINGS

OUR VISION

Enabling people to overcome uncertainty.

OUR MISSION

To provide solutions to protect the future of our customers.

OUR VALUES

Integrity, passion, excellence and teamwork.

INNOVATION IN INSURANCE

Over time, innovations in life space have called for innovations in Insurance.

Jubilee answered this call with boldness and imagination.

The very concept of insurance has changed from risk cover to worry-free life.

Today, Jubilee offers insurance to cover every aspect of life. From life cover to property insurance.

From car insurance to mobile insurance. Medical covers, group covers, air travel cover…

are just some of our innovations that help people LIVE FREE!

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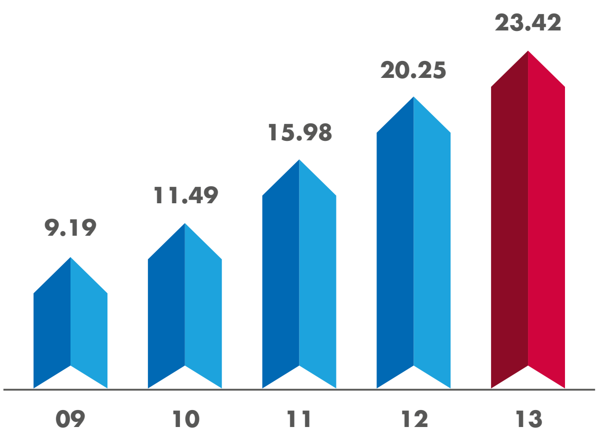
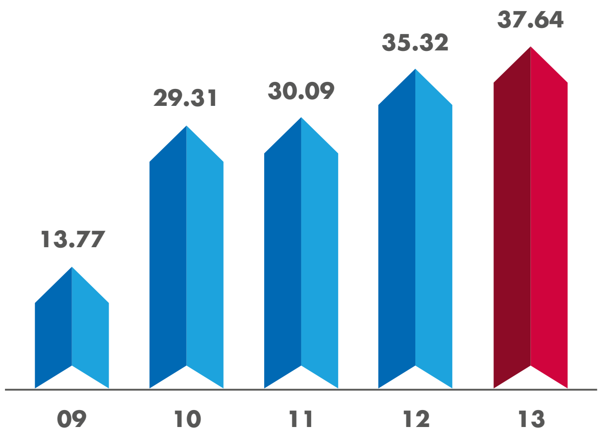
FIVE YEAR FINANCIAL HIGHLIGHTS

GROSS WRITTEN PREMIUMS (KSHS BILLION)



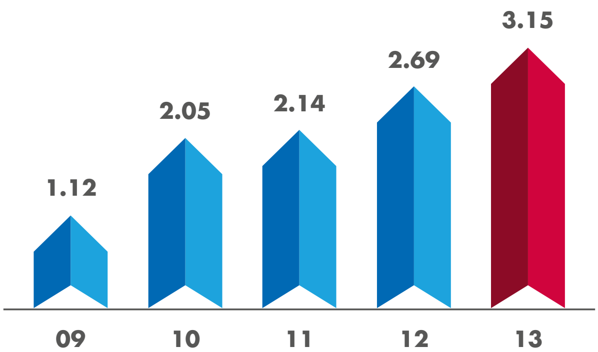
Gross Written Premiums grew by 16% to KShs 23.42 billion as a result of innovative product development strategies and enhanced relations with intermediaries.

EARNINGS PER SHARE (KSHS PER SHARE)



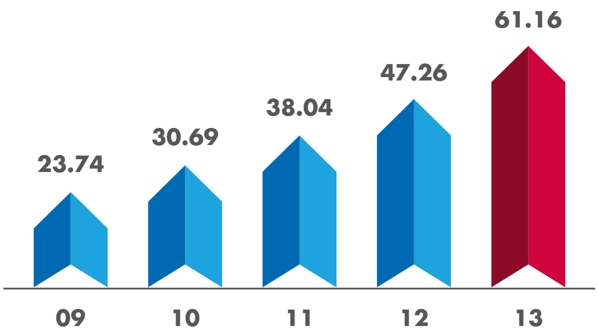
Earnings per share grew by 7% to KShs 37.64 from KShs 35.32 recorded in 2012 attributed to improved profitability.

PROFIT BEFORE TAX (KSHS BILLION)



Profit before tax grew by 17% to KShs 3.15 billion attributed to a strong focus on underwriting profitability and excellent investment performance.

TOTAL ASSETS (KSHS BILLION)



Total assets grew by 29% to KShs 61.16 billion as a result of increased funds generated by the business and improvement in the securities market.

GROUP INFORMATION

Capital and reserves	2013 KShs '000	2012 KShs '000
Authorised Capital	350,000	350,000
Issued Capital	299,475	299,475
Paid-up Capital	299,475	299,475
Retained Earnings	9,212,032	7,480,077

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%)
The Jubilee Insurance Company 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 (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

Corporate Lawyers
Daly & Figgis Advocates

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 Plc

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 76TH ANNUAL GENERAL MEETING of the Shareholders will be held at the Nairobi Serena, Kenyatta Avenue, on Tuesday 10th June 2014 at 11:00 a.m. to transact the following business:

1. To consider and, if thought fit, to adopt the Consolidated Accounts for the year ended 31st December 2013, the Report of the Directors and the Report of the Auditors' thereon.

2. To confirm the payment of the interim dividend of 20% made on 7th October 2013 and approve the payment of a final dividend of 120% on the issued and paid-up capital of the Company on or about 25th July 2014 to the Shareholders registered as at 10th June 2014.

3. To elect the following Directors who retire by rotation:

   a. In accordance with Article 90 of the Memorandum and Articles of Association Mrs. Jane S Mwangi is due for retirement, this being the first Annual General Meeting to be held since her appointment as Director and being eligible, offers herself for re-election

   b. In accordance with Article 90 of the Memorandum and Articles of Association Mr. Moez Ahamed Jamal is due for retirement, this being the first Annual General Meeting to be held since his appointment as Director and being eligible, offers himself for re-election.

   c. In accordance with Article 90 of the Memorandum and Articles of Association Mr. Zulfikar Abdulali Ebrahim is due for retirement, this being the first Annual General Meeting to be held since his appointment as Director and being eligible, offers himself for re-election.

   d. Mr. John J Metcalf, a director retiring by rotation who being eligible, offers himself for re-election in accordance with Article 86 of the Memorandum and Articles of Association.

4. To approve the Directors' remuneration.

5. To note that the Auditors, KPMG Kenya, will continue in office in accordance with section 159 (2) of the Companies Act and to authorise the Directors to fix the Auditors' remuneration.

Special Business:

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

6. *Special* Notice has been received by the Company pursuant to the Companies Act (Cap. 486 of the Laws of Kenya) that the following Resolution be proposed in accordance with section 186 (5) of the Act for consideration by the Shareholders:

"RESOLVED that Mr. Nizar N Juma, a director who retires by rotation in accordance with Article 86 of the Company's Articles of Association and having attained the age of 70 years further retires in terms of Section 186(2) of the Companies Act (Cap. 486 of the Laws of Kenya), be and is hereby re-elected as a Director of the Company."

By order of the Board
Bernard Kiragu
Company Secretary
Nairobi

13th May 2014

Note: 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. The proxy form is available on the Company's website www.jubileeinsurance.com.

INNOVATION IN MOTOR CARS

The greatest innovation in road travel began in 1769 with steam engine automobiles. In 1807 Francoise Isaac designed the first car with an internal combustion engine.

The picture we see here is the Benz patented Motorwagon, the first car to go into production (1885).

1886 is regarded as the birth year of the modern motorcar...thanks to Karl Benz. In 1903, Henry Ford introduced the highly popular Model T that revolutionised the motorcar and brought its production onto the assembly line.

Since then, the motorcar has brought new levels of comfort and innovation in road travel.

BOARD OF DIRECTORS

Nizar N Juma (Chairman)

Sultan A Allana

Ramadhani K Dau

John J Metcalf

BOARD OF DIRECTORS (CONTINUED)

- Board Audit & Compliance Committee
- Board Finance Committee
- Board Nominating & Human Resource Committee

Lutaf R Kassam

Shabir Abji

Sultan K Khimji

Juma Kisaame

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

I am pleased to present the 2013 Annual report and financial statements of Jubilee Holdings Limited, showing yet another year of impressive growth and record profitability, despite local and global economic challenges in the markets in which Jubilee operates.

During the year, Jubilee remained focused on core competencies and growth strategies and innovation of new products and distribution channels to reach out to more East Africans. Jubilee's performance resulted in an increase of 16% in Gross written premium including Deposit Contributions to stand at KShs 23.42 billion. This includes excellent contributions from all five territories in which Jubilee operates. The Jubilee Group achieved a 17% increase in Pre-tax profit to KShs 3.15 billion, which was supported by an increase in underwriting profit to KShs 897 million and increased profit contributions from our fast growing life insurance business. During this period, Jubilee has remained the largest composite insurance company in Kenya and overall in East Africa for five consecutive years.

With all the challenges experienced in the year under review, Jubilee's strategy of diversifying its investment and asset base provided an impressive investment income growth of 17% largely due to stable interest rates and a stronger securities market. Overall assets under management increased to KShs 61.2 billion at the end of 2013.

EAST AFRICA'S ECONOMY

According to the World Bank, Kenya has maintained economic stability and fiscal discipline even in the face of fiscal pressure from the March 2013 elections, a new devolved system of governance, public sector pay pressure and rising security costs, and a significant slowdown in tourism. The economy is expected to grow at 4.7% in 2013, even after the temporary shock of the 21st September 2013 terrorist attack in Nairobi, an improvement over the 4.6% gross domestic product (GDP) growth rate recorded in 2012. Economic prospects for 2014 and beyond remain strong, with lower inflation and stable interest rates.

The growing markets in Uganda and Tanzania are equally important to Jubilee. Both countries have had an impressive record of economic growth.

INSURANCE INDUSTRY

The regional insurance market continues to face various challenges including very low insurance penetration and increased competition due to the arrival of new entrants in our markets. Despite these challenges, Jubilee has been able to consolidate its market leadership in Kenya, Uganda and Tanzania and also made important market share gains in Mauritius and Burundi.

In a positive development, banc assurance and micro-insurance are two areas that are now gaining in importance and Jubilee is putting in place structures and initiatives to take a leadership role in the development of these important business segments. Kenya has fully embraced the opportunities afforded by technology in enhancing financial inclusion, and has the highest share of population with access to financial services in Sub-Saharan Africa (more than 70 percent).

FINANCIAL PERFORMANCE

The Jubilee Holdings Limited reported an increase in Gross Written Premium (including DA contributions) of 16% to KShs 23.42 billion (2012: KShs 20.25 billion). Profit before tax stood at KShs 3.15 billion an increase of 17% (2012: KShs 2.69 billion). The Group posted insurance results of KShs 897 million which saw contribution from all lines of business and is significantly higher than those of our peers. This performance was achieved despite the challenges faced in our local markets and underlines our capability to deliver superior value and returns for our shareholders and other stakeholders even under difficult circumstances.

Based on this impressive 2013 performance, I am pleased to report that the Board has recommended a dividend of 140% for the year 2013 (2012: 140%), on the share capital of KShs 299.475 million. An interim dividend of 20% (KShs 1.00 per share) was paid on 7th October 2013. The Board is seeking approval for a final dividend of KShs 6.00 per share.

GENERAL INSURANCE

General insurance gross written premium grew by 5% in 2013 to reach KShs 9.88 billion (2012: KShs 9.40 billion) with a combined ratio of 90.2%, which reflects our continued and strong focus on claims control and risk management, which resulted in an underwriting profit of KShs 424 million in 2013. Efforts to extend our distribution reach were successful as Jubilee expanded its agency network across Kenya and opened new branches in Tanzania. To support this initiative and make insurance more accessible in rural communities, Jubilee has continued to launch innovative new products in agricultural insurance, and those targeted to Small and Medium Enterprises.

MEDICAL INSURANCE

Medical insurance business achieved a 25% growth to reach KShs 6.32 billion (2012: KShs 5.04 billion). Jubilee continues to penetrate new areas, consolidate and enlarge its market leadership in medical insurance business in Kenya, while aggressive expansion in both Uganda and Tanzania has seen us retain market leadership and profitability. Jubilee's retail medical product, J-Care, tailored for families continued to do well during the year under review and this contributed towards the positive medical business performance. Sound underwriting and provider relationship management enabled Jubilee to once again report excellent underwriting profitability of KShs 473 million in 2013.

LIFE INSURANCE

Life insurance business gross premium and deposit administration inflows saw a growth of 24% to KShs 7.22 billion (2012: KShs 5.81 billion) as a result of strong growth in new business due to Jubilee's expansion of its agency network. This is in line with the Group's strategy to expand its individual and group life insurance portfolio penetration and the success of the company's asset building products, which are built around the long term saving, education and protection needs of Jubilee's customers.

OPERATIONS

Jubilee continues to strengthen its senior management team to consolidate its position as the leading insurance franchise in Kenya and provide the capacity and competence base to pursue further growth. Significant investments have also been made in information communication and technology (ICT) in order to support our growing business portfolio, and ensure that Jubilee's service delivery is second to none.

To support and sustain robust growth, Jubilee will continue to expand its agency office network across Kenya, targeting upcoming commercial hubs that are being created by the devolved governance implementation that is currently underway; this business model will be replicated in other regional markets as the need arises. Various strategic initiatives to grow the retail medical business, banc assurance and micro-insurance products are underway and an online sales platform has been developed which will see Jubilee continue to lead the market in product innovation, distribution channels and customer service.

BOARD OF DIRECTORS

The Directors who held office in 2013 are listed on pages 6 and 7 of this report. As we continue to expand our horizons, you will note the proposed additions to the Board, which continues to reflect your Company's regional & growth related outlook, while drawing from the Company's Vision, Mission and Values which continue to steer your Company to greater heights in achieving its strategic objectives.

GROUP OPERATIONS

It is gratifying to report that all the subsidiary insurance companies returned a profit before tax in 2013. Once again, Jubilee Insurance has emerged as the number one composite company in the region, while at the same time retaining leadership in Kenya, Uganda and Tanzania. Great improvement has also been experienced in our younger subsidiaries, Burundi and Mauritius, both in profitability and market positioning.

In 2013 Jubilee wrote KShs 23.42 billion in premium income and realized KShs 3.15 billion in profit before tax. The company plans to continue with its branch expansion initiative, micro-insurance, banc assurance and the launch of online sales that will drive product innovation and the extension of distribution channels that will enhance customer service.

Jubilee's balance sheet continues to go from strength to strength with total assets growing by 29% and deposit administration increasing by 37%. This is a reflection of the controls in place to safeguard your investments and ability to offer consistent returns over time. Total income increased by 26% to KShs 18.04 billion while the total comprehensive income went up by 45% to KShs 3.32 billion (2012: KShs 2.29 billion).

CORPORATE SOCIAL RESPONSIBILITY

During the year under review, Jubilee 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. The activities undertaken during the year under review included, the Jubilee Insurance Samaritan Award (JISA), Mater heart run, visit to Pope John Paul 2 home for the old and the Standard Chartered marathon where over and above the corporate sponsorship, Jubilee sponsored 50 orphaned children to participate in the marathon.

With overwhelming support of the Jubilee family, The Jubilee Children Fund (JCF) continues to grow in supporting health and education initiatives to orphaned and bright children from poor families. Additionally, Jubilee continued the partnership of its staff participating in key impacting projects that include the Standard Chartered Marathon and Mater Heart Run, which target health-related afflictions of cardiac illness and blindness.

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.

In Kenya, at the 2013 annual Insurance Awards, Jubilee Insurance won the highest number of awards in the Industry and was acknowledged as the overall winner in five categories: Composite Insurer of the Year, Medical Insurance Underwriter of the Year, Fraud Detection Award, Risk Management Award and the ICT Award. Jubilee was also runner up in The Training Award, Major Loss Award and Customer Satisfaction Award. Jubilee was also awarded best Company of the Year (COYA) in Human Resources focus and 1st runner up Best Pension Award, by Capital Markets Authority.

In Uganda, Jubilee Uganda bagged 'Best Insurer Award' by the Uganda Association of Insurance Brokers.

2014 OUTLOOK

The business and regulatory environment will remain challenging in 2014 influenced by global economic trends. With the National elections now behind us, it is expected that investor confidence will gain ground with local macroeconomic indicators pointing favorably. The establishment of a new system of devolved government may have its teething challenges, but augers well for creating an enabling and business driven environment not only for Kenya but the region as a whole.

Jubilee will continue to focus on risk selection and best management practices so as to balance our entrepreneurial approach to business opportunities whilst protecting profitability. Key strategic initiatives for 2014 include innovation of new products, improved renewal retention, enhanced product mix, continued development of new agency networks and reinvigorated producer incentive schemes that will help us drive our top line.

It is this quality and financial stability that will continue to strengthen our customer relationships and grow business.

We continue to be optimistic as we focus on our strategic goals to ensure that Jubilee continues to perform strongly in 2014 and generate sustainable and stable returns for our shareholders.

APPRECIATION

The contributions of Jubilee's various stakeholders have ensured that continued strong performance is achieved. These are no 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 continues 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 N Juma
Chairman
13th May 2014

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited consolidated financial statements for the year ended 31st December 2013 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, The Jubilee Insurance Company 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 business. It also owns investment companies in Kenya, Uganda, Tanzania and Burundi.

Results

The following is the summary of the results for the year ended 31st December 2013:

Profit analysis	**2013 KShs '000**	**2012 KShs '000**
Group profit before income tax	3,151,188	2,693,303
Income tax expense	**648,371**	**408,802**
Group profit after income tax	2,502,817	2,284,501
Non controlling interest	**248,128**	**169,168**
Profit attributable to equityholders of the company	2,254,689	2,115,333

Dividend

An interim dividend of KShs 1.00 per share amounting to KShs 59.895 million (2012: KShs 59.895 million) was paid on 7th October 2013. The Directors recommend a final dividend of KShs 6.00 per share amounting to KShs 359.370 million (2012: KShs 359.370 million) for approval by Shareholders. The total dividend for the year represents 140% of the issued share capital as at 31st December 2013 (2012: 140%).

Directors

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

Nizar N Juma (Chairman)
Sultan A Allana *
Ramadhani K Dau **
Juma Kisaame***
Lutaf R Kassam
Sultan K Khimji
John J Metcalf ****
Shabir Abji**

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

Auditors'

The Company's Independent Auditors, KPMG Kenya, continues in office in accordance with Section 159(2) of the Kenyan Companies Act (Cap. 486).

On behalf of the Board

Nizar N Juma, Chairman
Nairobi, 19th March 2014

STATEMENT OF DIRECTORS RESPONSIBILITIES

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 22 to 89 which comprise consolidated and company statements of financial position as at 31st December 2013, consolidated statement of profit or loss, consolidated statement of profit or loss and 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 notes, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. 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' 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 in the manner required by the Kenyan Companies Act 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 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 the company.

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

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

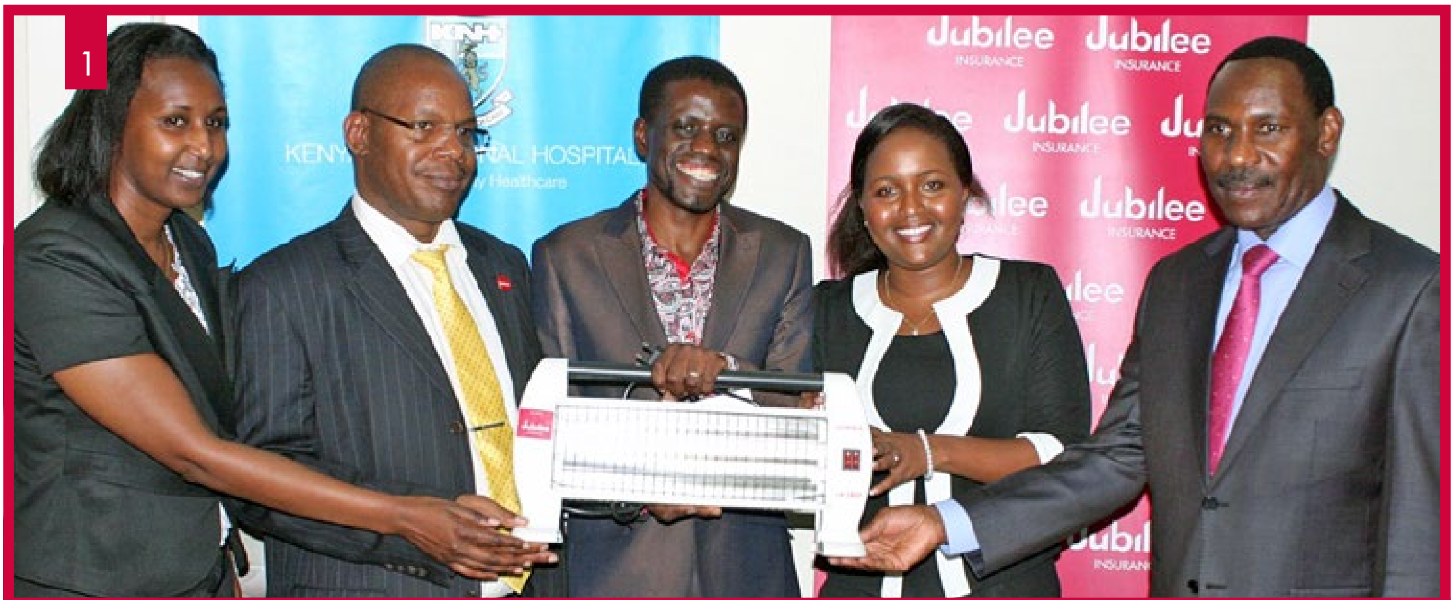
The group and company financial statements, as indicated above, were approved by the Board of Directors on 19th March 2014 and were signed on its behalf by:

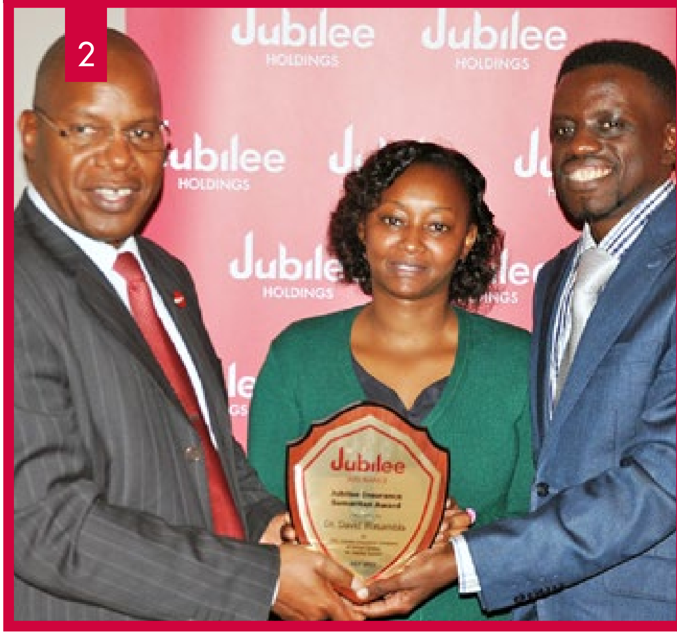
Nizar N Juma
Chairman

John J Metcalf
Director

19th March 2014

CORPORATE SOCIAL RESPONSIBILITY

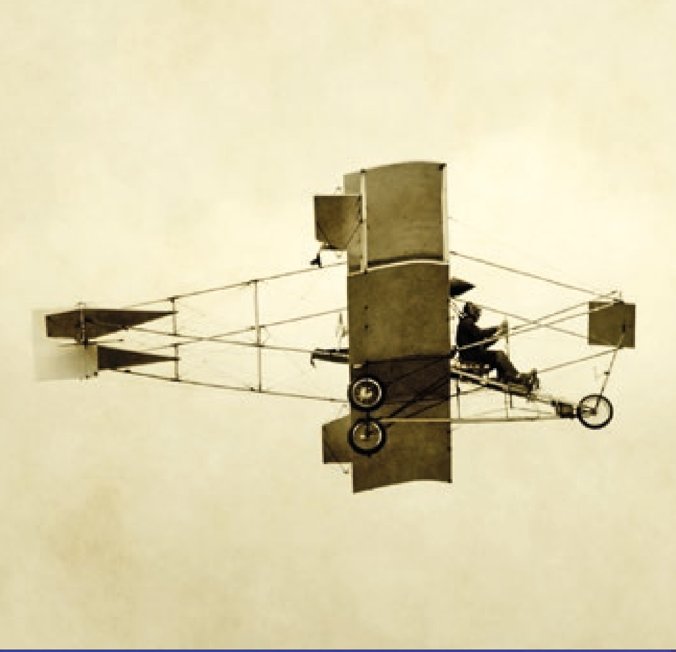




1. **Donation of 50 Heaters to Kenyatta National Hospital -** Right, Ministry of Information Secretary of Information Mr. Ezekiel Mutua , Samburu Senator Naisula Lesuuda, JISA Winner Dr Wasambla, JICK CEO Patrick Tumbo, KNH CEO representative during the presentation of room heaters.

2. **Jubilee Insurance Samaritan Award (JISA) -** Right Dr Wasambla , His wife and JICK CEO Patrick Tumbo pose for for a photo during Wasambla's awarding ceremony.

3. **The Mater Heart Run -** Jubilee Insurance donated KShs 250,000 to the mater heart run with 15 staff members participating in the race. The marathon seeks to raise funds to enable heart patients undergo treatment.



INNOVATION IN AIR TRAVEL

Since time immemorial man's fascination with flight has been well documented. As far back as the 1700s, man took to the air in balloons and gliders; but the fist powered and piloted flight was the famous Wright Brothers who in December 1903 flew 892 feet and remained in the air for 59 seconds.

A yaw acted like a rudder and a small engine powered the flight.Since that historic flight, air travel technology has grown leaps and bounds. 45 million people travel by air every day in air crafts that are virtually cities in the skies.Infact, today we stand at the threshold of space, where the common man could leap into orbit for the thrill of a lifetime!

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5

6

1. **Standard Chartered Marathon -** Jubilee Insurance team that participated in the marathon ranging from the 5 Km family run, 10 km corporate race and the 21Km Half Marathon race. Jubilee Insurance provided medical cover for all the 23,000 participants worth up to KShs 75 Million.

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5. **Pope John Paul Home for the Old -** Jubilee Team distribute food items and bedding to the patients.

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6. **Action Child Mobilization Centre school for the Physically Disabled -** Jubilee sponsored 50 children to participate in the Marathon at a cost of KShs 76,000. The money catered for their participation, lunch and transport.

INNOVATION IN TELEPHONY

While the original invention of the telephone is commonly attributed to Alexander Bell, the USCongress has formally recognised Meucci as the inventor of the telephone, 106 years after his death. Bell however was the 1st to invent the 2 directional phone call as well as the 1st long distance call over an exciting 16 kms! As telephones gained in popularity, manual switchboards became necessary. By the turn of the century, the 1st voice transmission was made across the Atlantic. In 1946, a national numbering plan was introduced in the US. With satellites the cellular system put the mobile in everyone's pocket, and with the advent of the internet and it's convergence into the telephone, the handset has become your office in your pocket!

CORPORATE GOVERNANCE STATEMENT

The Board of Directors, duly cognisant of its role in safeguarding shareholders' assets and ensuring a decent return on investment, reaffirms its commitment to upholding policies and strategies that enhance transparency and accountability as part of the Company's continuing listing obligations and as advocated by the Capital Markets Authority guidelines for good corporate governance practices by public listed companies in Kenya.

Board of Directors

The Directors represent the requisite diverse skills and experience to provide the necessary stewardship to the Company. The Board draws from its considerable collective experience in finance, insurance, investment, strategic management and human resource management in order to provide overall strategic guidance to the Group.

In accordance with the Company's Articles of Association, the Board meets at regular intervals to, amongst others things:

- Agree on the Company's strategic objectives, as well as plans to achieve these
- Review and approve the Company's annual budget
- Review the Company's performance against agreed goals and strategies
- Review the Company's policies and procedures
- Consider and approve the annual and interim financial statements
- Recommend dividends to the shareholders; and
- Approve other matters of fundamental significance

Members of senior management of the Company attend Board Meetings by invitation to ensure informed and efficient decision-making by the Board of Directors. In addition, the Board invites third party professionals to attend Meetings and provide opinions and advice as necessary to enable the Board discharge its fiduciary mandate.

The Board comprises eight non-executive Directors. The Directors who held office during the year under review and to the date of this report are listed on pages 6 and 7. There were no resignations from or appointments to the Board in the course of the financial year ended December 2013.

The Directors' attendance of Board Meetings for the year 2013 is as follows:

(Quorum = Four)

Name	January	April	August	November
Nizar N Juma (Chairman)	√	√	√	√
Sultan A Allana	x	√	√	x
Ramadhani K Dau	√	√	x	x
Lutaf R Kassam	√	√	√	√
Sultan K Khimji	x	√	√	√
Juma Kisaame	√	√	√	√
John J Metcalf	√	√	√	√
Shabir Abji	√	x	√	x

Key: √ Present x Apologies

Board Committees

Pursuant to the Company' Articles of Association, the Board of Directors has delegated authority to three Committees as listed on pages 19 and 20. These committees operate under clearly articulated terms of reference (summarized below) which clarify their responsibilities and scope of authority. The Committees have unrestricted access to Group information and are authorized by the Board to obtain independent professional advice in the discharge of their functions.

Membership of the committees during the period under review and to the date of this report is as follows:

(a) Board Audit and Compliance Committee:

Membership:

Sultan K Khimji (Chairman), Juma Kisaame and John J Metcalf.

Mandate:

This Committee is an informed, vigilant and effective overseer of the financial reporting process, internal controls, compliance and risk management issues in the Company, including any legislative and regulatory changes that impact on the Company's operations.

(b) Board Finance Committee:

Membership:

Lutaf R Kassam (Chairman), Ramadhani K Dau, John J Metcalf, Sultan K Khimji.

Mandate:

The Committee's function is to supervise the financial and investment business of the Company, and provides guidelines and limits for investment of the Company's funds.

(c) Board Nominating and Human Resource Committee:

Membership:

Nizar N Juma (Chairman), John J Metcalf

Mandate:

Having regard to the independence and quality of nominees to the Board, this Committee makes recommendations to the Board so as to ensure that all nominations are fair and transparent.

For services on the Board and its Committees, the Directors receive remuneration approved by shareholders at the Annual General Meeting. In 2013, the aggregate amount of emoluments received by the Directors is shown under note 10 (ii) on page 49 of the financial statements. No loans were advanced to the Directors during the year under review.

The Directors' attendance of Board Committee Meetings for the year 2013 is as follows:

(a) Board Audit and Compliance Committee:

(Quorum = Two)

Name	April	August	November
Sultan K Khimji	√	√	√
Juma Kisaame	√	√	√
John J Metcalf	√	√	√

(b) Board Finance Committee

(Quorum = Two)

Name	January	April	August	November
Lutaf R Kassam	√	√	√	√
Ramadhani K Dau	×	√	×	×
Sultan K Khimji	×	√	√	√
John J Metcalf	√	√	√	√

(c) Board Nominating and Human Resource Committee

(Quorum = Two)

Name	February	May	September
Nizar N Juma	√	√	√
John J Metcalf	√	√	√

Directors' interest in the shares of the company as at 31st December 2013

Name	Number of shares held
Mr Sultan K Khimji (including shares held by his family and company in which he has an interest)	10,960

Distribution of shareholders as at 31st December 2013

Number of shares	Number of shareholders	Number of shares held	% Shareholding
Less than 500 shares	1,677	276,577	0.46%
500-5,000 shares	3,632	7,124,874	11.90%
5,001 – 10,000 shares	644	4,354,554	7.27%
10,001 – 100,000 shares	526	12,834,851	21.43%
100,001 – 1,000,000 shares	25	3,863,710	6.45%
Over 1,000,000 shares	7	31,440,434	52.49%
Total	**6,511**	**59,895,000**	**100.00%**

List of 10 largest shareholders as at 31st December 2013

Names	Number of shares held	% Shareholding
Aga Khan Fund for Economic Development	22,751,025	37.98%
Ameerali K. Somji and/or Gulzar Ameerali K. Somji	2,310,000	3.86%
Ameerali K. Abdulrasul Somji	2,123,587	3.55%
Ameerali K. Abdulrasul Somji and Hanif Mohamed Somji	1,108,163	1.85%
United Housing Estates Limited	1,086,734	1.81%
Adam's Brown and Company Limited	1,070,109	1.79%
Freight Forwarders Kenya Limited	1,018,101	1.70%
Gulshan Nooorali Sayani	299,593	0.50%
Ariff Aziz Shamji & Farah Bahadur Alibhai Ukani	271,538	0.45%
Kenya General Agency (MSA) Limited	264,500	0.44%
TOTAL	**32,303,350**	**53.93%**

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

We have audited the financial statements of Jubilee Holdings Limited set out on pages 22 to 89 which comprise the consolidated and company statements of financial position as at 31st December 2013, consolidated statement of profit or loss, consolidated statement of profit or loss and 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 notes.

Directors' responsibility for the financial statements

As stated on page 13, the directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Kenya, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the consolidated and company financial position of Jubilee Holdings Limited at 31st December 2013, and the consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

Report on other legal requirements

As required by the Kenyan Companies Act 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 Jacob Maina Gathecha P/NO:1610.

KPMG Kenya
19th March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 KShs '000	2012 KShs '000
Gross earned premium revenue	6	18,087,946	15,399,514
Less: outward reinsurance	6	7,314,561	6,026,532
Net insurance premium revenue		**10,773,385**	**9,372,982**
Investment and other income	7	3,697,032	3,156,981
Net fair value gains on financial assets at fair value through profit or loss	18 & 19	1,887,877	443,547
Commission earned		1,684,345	1,352,848
Total income		**18,042,639**	**14,326,358**
Claims and policy holders benefits payable	8	16,636,045	12,198,203
Claims recoverable from re-insurers	8	5,650,491	3,642,666
Net insurance benefits and claims		**10,985,554**	**8,555,537**
Operating and other expenses	9	2,483,628	2,203,878
Commission payable		2,345,153	2,020,857
Total expenses and commissions		**4,828,781**	**4,224,735**
Result of operating activities		**2,228,304**	**1,546,086**
Finance costs		(47,629)	(47,937)
Share of result of associates	17 (i)	970,513	1,195,154
Group profit before income tax		**3,151,188**	**2,693,303**
Income tax expense	11	648,371	408,802
Profit for the year		**2,502,817**	**2,284,501**
Attributable to:			
Equityholders of the company		2,254,689	2,115,333
Non-controlling interest		248,128	169,168
Total		**2,502,817**	**2,284,501**
Earnings Per Share (Shs)			
Basic and diluted	28	38	35

The notes on pages 28 to 89 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 KShs '000	2012 KShs '000
Profit for the year		**2,502,817**	**2,284,501**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Other fair value gains		-	4,466
Net fair value gains on financial assets	18 & 19	564,325	250,096
Net translation gain/(loss)		252,016	(246,105)
Total other comprehensive income, net of tax		**816,341**	**8,457**
Total comprehensive income for the year		**3,319,158**	**2,292,958**
Attributable to:			
Equityholders of the Company		3,089,936	2,170,837
Non-controlling interest		229,222	122,121
Total comprehensive income for the year		**3,319,158**	**2,292,958**

The notes on pages 28 to 89 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Note	2013 KShs '000	2012 KShs '000
Assets			
Property and equipment	15	163,329	134,517
Investment properties	16	4,445,591	3,752,785
Investment in associates	17 (i)	6,465,583	6,128,566
Deferred income tax asset	26	90,753	96,643
Unquoted shares at fair value through profit or loss	19	2,071,259	1,552,111
Unquoted shares at fair value through other comprehensive income	19	90,584	63,235
Quoted shares at fair value through profit or loss	18	5,910,179	4,409,470
Quoted shares at fair value through other comprehensive income	18	1,463,256	892,407
Mortgage loans	20 (i)	29,067	22,316
Loans on life insurance policies	20 (ii)	512,945	398,836
Government securities at armortised cost	21	19,067,633	13,108,583
Commercial bonds	22	887,417	1,010,039
Receivables arising out of direct insurance arrangements	4	3,563,752	1,918,436
Receivables arising out of reinsurance arrangements	4	1,889,223	1,995,710
Reinsurers' share of insurance contract liabilities	23	6,913,943	4,590,189
Deferred acquisition costs	24	109,341	143,002
Other receivables	25	572,250	850,623
Current income tax recoverable	11	176,522	171,790
Deposits with financial institutions	27	6,161,262	5,540,923
Cash and bank balances	27	575,296	477,359
Total assets		**61,159,185**	**47,257,540**
Liabilities			
Deferred income tax liability	26	172,978	129,634
Insurance contract liabilities	29	15,274,972	12,187,603
Payable under deposit administration contracts	30	22,605,806	16,485,196
Unearned premium reserve	31	6,355,840	5,338,620
Creditors arising out of direct insurance arrangements		69,846	38,950
Creditors arising out of reinsurance arrangements		1,901,454	1,647,628
Trade and other payables	32	1,525,667	1,123,366
Dividends payable		194,004	150,646
Borrowings	33	1,305,953	1,295,706
Current income tax payable	11	153,083	160,502
Total liabilities		**49,559,603**	**38,557,851**
Equity			
Share capital	12	299,475	299,475
Reserves	13	819,427	(119,289)
Retained earnings		9,212,032	7,480,077
Proposed dividends	14	359,370	359,370
Equity attributable to owners of the company		**10,690,304**	**8,019,633**
Non-controlling interest		909,278	680,056
Total equity		**11,599,582**	**8,699,689**
Total liabilities and equity		**61,159,185**	**47,257,540**

The financial statements on pages 22 to 89 were approved by the Board of Directors on 19th March 2014 and signed on its behalf by:

Nizar N Juma
Chairman

John J Metcalf
Director

The notes on pages 28 to 89 are an integral part of these financial statements

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Note	2013 KShs '000	2012 KShs '000
Assets			
Property and equipment	15	1,441	-
Investment in associates	17 (i)	838,251	838,251
Investment in subsidiaries	17 (ii)	1,712,029	1,712,029
Deferred income tax asset	26	9,774	13,416
Unquoted shares at fair value through other comprehensive income	19	12,007	12,007
Quoted shares at fair value through other comprehensive income	18	21,755	17,073
Deposits with financial institutions	27	1,824	1,776
Due from related parties	35	151,941	161,050
Other receivables	25	114,271	1,737
Current income tax recoverable	11	9,354	10,145
Cash and bank balances	27	37,784	20,370
Total assets		**2,910,431**	**2,787,854**
Liabilities			
Deferred income tax liability	26	73	12,237
Due to related parties	35	669,658	554,321
Dividends payable		194,004	150,646
Trade and other payables	32	17,264	11,496
Total liabilities		**880,999**	**728,700**
Equity			
Share capital	12	299,475	299,475
Reserves	13	73,951	69,269
Retained earnings		1,296,636	1,331,040
Proposed dividends	14	359,370	359,370
Total equity		**2,029,432**	**2,059,154**
Total liabilities and equity		**2,910,431**	**2,787,854**

The financial statements on pages 22 to 89 were approved by the Board of Directors on 19th March 2014 and signed on its behalf by:

Nizar N Juma
Chairman

John J Metcalf
Director

The notes on pages 28 to 89 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Share Capital	Fair Value Reserves	General Reserves	Translation Reserves	Contingency Reserves	Retained Earnings	Proposed Dividends	Equity Attributable to Owners	Non-Controlling Interest	Total Equity
						KShs '000					
Year ended 31 December 2012											
At start of year		272,250	(553,376)	70,000	(214,053)	472,125	5,861,745	245,025	6,153,716	557,935	6,711,651
Profit for the year		-	-	-	-	-	**2,115,333**	-	**2,115,333**	**169,168**	**2,284,501**
Other comprehensive income											
Other fair value gains		-	2,278	-	-	-	-	-	2,278	2,188	4,466
Change in fair value of financial assets through OCI	13 (a)	-	250,664	-	-	-	-	-	250,664	(568)	250,096
Transfer to retained earnings on disposal	13 (a)	-	(28,571)	-	-	-	28,571	-	-	-	-
Net translation loss	13(c)	-	-	-	(197,438)	-	-	-	(197,438)	(48,667)	(246,105)
Transfer to contingency reserves	13 (d)	-	-	-	-	79,082	(79,082)	-	-	-	-
Total comprehensive income for the year		-	**224,371**	-	**(197,438)**	**79,082**	**2,064,822**	-	**2,170,837**	**122,121**	**2,292,958**
Transactions with owners:											
Bonus shares issued	12	27,225	-	-	-	-	(27,225)	-	-	-	-
Dividends: Final for 2011 paid	14	-	-	-	-	-	-	(245,025)	(245,025)	-	(245,025)
Interim for 2012 paid	14	-	-	-	-	-	(59,895)	-	(59,895)	-	(59,895)
Final for 2012 proposed	14	-	-	-	-	-	(359,370)	359,370	-	-	-
Total transactions with owners		**27,225**	-	-	-	-	**(446,490)**	**114,345**	**(304,920)**	-	**(304,920)**
At end of year		**299,475**	**(329,005)**	**70,000**	**(411,491)**	**551,207**	**7,480,077**	**359,370**	**8,019,633**	**680,056**	**8,699,689**
Year ended 31 December 2013											
At start of year		299,475	(329,005)	70,000	(411,491)	551,207	7,480,077	359,370	8,019,633	680,056	8,699,689
Profit for the year		-	-	-	-	-	**2,254,689**	-	**2,254,689**	**248,128**	**2,502,817**
Other comprehensive income											
Change in fair value of financial assets through OCI	13 (a)	-	560,627	-	-	-	-	-	560,627	3,698	564,325
Transfer to retained earnings on disposal	13 (a)	-	(186)	-	-	-	186	-	-	-	-
Net translation gain	13(c)	-	-	-	274,620	-	-	-	274,620	(22,604)	252,016
Transfer to contingency reserves	13 (d)	-	-	-	-	103,655	(103,655)		-	-	-
Total comprehensive income for the year		-	**560,441**	-	**274,620**	**103,655**	**2,151,220**	-	**3,089,936**	**229,222**	**3,319,158**
Transactions with owners:											
Dividends: Final for 2012 paid	14	-	-	-	-	-	-	(359,370)	(359,370)	-	(359,370)
Interim for 2013 paid	14	-	-	-	-	-	(59,895)	-	(59,895)	-	(59,895)
Final for 2013 proposed	14	-	-	-	-	-	(359,370)	359,370	-	-	-
Total transactions with owners		-	-	-	-	-	**(419,265)**	-	**(419,265)**	-	**(419,265)**
At end of year		**299,475**	**231,436**	**70,000**	**(136,871)**	**654,862**	**9,212,032**	**359,370**	**10,690,304**	**909,278**	**11,599,582**

The notes on pages 28 to 89 are an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Share Capital KShs '000	Fair Value Reserves KShs '000	General Reserves KShs '000	Retained Earnings KShs '000	Proposed Dividends KShs '000	Total Equity KShs '000
Year ended 31 December 2012							
At start of year		272,250	(879)	70,000	1,453,719	245,025	**2,040,115**
Profit for the year		**-**	**-**	**-**	**323,811**	**-**	**323,811**
Other comprehensive income							
Change in fair value of financial assets through other comprehensive income	13(a)	-	148	-	-	-	**148**
Total comprehensive income for the year		**-**	**148**	**-**	**323,811**	**-**	**323,959**
Transactions with owners:							
Bonus shares issued	12	27,225	-	-	(27,225)	-	**-**
Dividends: Final for 2011 paid	14	-	-	-	-	(245,025)	**(245,025)**
Interim for 2012 paid	14	-	-	-	(59,895)	-	**(59,895)**
Final for 2012 proposed	14	-	-	-	(359,370)	359,370	**-**
Total transactions with owners		**27,225**	**-**	**-**	**(446,490)**	**114,345**	**(304,920)**
At end of year		**299,475**	**(731)**	**70,000**	**1,331,040**	**359,370**	**2,059,154**
Year ended 31 December 2013							
At start of year		299,475	(731)	70,000	1,331,040	359,370	**2,059,154**
Profit for the year		**-**	**-**	**-**	**384,861**	**-**	**384,861**
Other comprehensive Income							
Change in fair value of financial assets through other comprehensive income	13(a)	-	4,682	-	-	-	**4,682**
Total comprehensive income for the year		**-**	**4,682**	**-**	**384,861**	**-**	**389,543**
Transactions with owners:							
Dividends: Final for 2012 paid	14	-	-	-	-	(359,370)	**(359,370)**
Interim for 2013 paid	14	-	-	-	(59,895)	-	**(59,895)**
Final for 2013 proposed	14	-	-	-	(359,370)	359,370	**-**
Total transactions with owners		**-**	**-**	**-**	**(419,265)**	**-**	**(419,265)**
At end of year		**299,475**	**3,951**	**70,000**	**1,296,636**	**359,370**	**2,029,432**

The notes on pages 28 to 89 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 KShs '000	2012 KShs '000
Cash flow from operating activities			
Profit before income tax		3,151,188	2,693,303
Adjustments for:			
Depreciation	15	67,428	54,792
Fair value (gains)/losses on equity investments at fair value through profit and loss	18 & 19	(1,887,877)	(443,547)
Investment income	7	(3,697,032)	(3,156,981)
Share of result of associates after income tax	17 (i)	(970,513)	(1,195,154)
Operating profit before changes to receivables and payables		**(3,336,806)**	**(2,047,587)**
Change in deposit administration contracts	30	6,120,610	4,077,114
Change in insurance contract liabilities and reserves		4,104,587	2,351,771
Change in premium, reinsurance and other receivables		(3,831,231)	(2,073,659)
Change in reinsurance and other payables		870,045	509,561
Cash generated from operations		**3,927,205**	**2,817,200**
Income tax paid	11	(611,288)	(396,310)
Net cash inflow from operating activities		**3,315,917**	**2,420,890**
Cash flow from investing activities			
Rent, interest and dividend received		3,288,533	3,001,260
Dividends received from associates	17 (i)	194,667	153,568
Proceeds from sale of quoted shares		884,678	678,126
Proceeds from disposal of property and equipment	15	3,855	1,096
Proceeds from part redemption of shares in associate	17 (i)	506,851	-
Purchase of property and equipment	15	(96,042)	(99,432)
Net additions of investment properties	16	(480,388)	-
Purchase of quoted shares	18	(452,772)	(254,995)
Purchase of unquoted shares	19	(338,717)	(10,046)
Additional investment in associate	17 (i)	-	(76,576)
Mortgage loans advanced		(26,832)	(15,137)
Mortgage loans repaid	20 (i)	13,708	2,142
Loans on life insurance policies advanced		(176,470)	(176,818)
Loans on life insurance policies repaid	20 (ii)	62,361	68,757
Net purchase of government securities		(5,959,050)	(2,844,566)
Net proceeds/(purchase) of commercial bonds		122,622	103,371
Net cash outflow/(inflow) from investing activities		**(2,452,996)**	**530,750**
Cash flow from financing activities			
Dividends paid		(419,265)	(304,920)
Net cash outflow from financing activities		**(419,265)**	**(304,920)**
Increase in cash and cash equivalents		443,656	2,646,720
Cash and cash equivalents at start of year	27	6,018,282	3,569,000
Exchange gain/(loss) on translation of cash and cash equivalents in foreign currencies	13(c)	274,620	(197,438)
Cash and cash equivalents at end of year	27	**6,736,558**	**6,018,282**

The notes on pages 28 to 89 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 650 (2012:600) 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out in Note 37 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

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

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

a) Insurance contracts (continued)

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.

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 valuations 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.

Valuation of unquoted shares

The Group uses valuation techniques for valuing unquoted shares that are not based on observable market data. The critical management judgment is in the selection of the price earnings ratio applied and the determination of normalized earnings for the underlying investments.
Valuation of investment in associate

The carrying value of some of the associates companies is dependent on the complex valuation of the underlying operating entities. These valuations apply discounted cash flow techniques which are subject to judgment as to the future cash flows.

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. Were the average future investment returns to decrease by 1% from management's estimates, the insurance liability would increase by KShs 397 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

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(i) Insurance risk (continued)

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.

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.

Maximum insured loss

Year ended 31 December 2013 Class of business **General Insurance business**		**Range 01 KShs 0 m to KShs 15m KShs '000**	**Range 02 KShs 15m to KShs 250m KShs '000**	**Range 03 KShs 250m to KShs 1000m KShs '000**	**Range 04 KShs 1000m + KShs '000**	**Total KShs '000**
Motor	Gross	36,671,511	11,945,102	5,428,610	-	54,045,223
	Net	23,646,867	11,362,254	5,428,610	-	40,437,731
Fire	Gross	86,800,974	180,120,279	147,238,617	248,584,474	662,744,344
	Net	11,292,763	50,610,731	12,627,021	4,450,150	78,980,665
Personal accident	Gross	89,540,782	28,383,003	50,907,205	19,230,712	188,061,702
	Net	52,704,757	6,442,915	16,920,302	120,000	76,187,974
Other	Gross	97,163,138	161,447,117	61,507,006	330,116,889	650,234,150
	Net	31,102,263	40,969,940	4,113,801	2,855,461	79,041,465
Life assurance business						
Ordinary life	Gross	13,586,683	331,400	-	-	13,918,083
	Net	12,132,663	12,000	-	-	12,144,663
Group life	Gross	274,696,592	53,516,385	-	-	328,212,977
	Net	149,143,350	12,923,864	-	-	162,067,214
Total	**Gross**	**598,459,680**	**435,743,286**	**265,081,438**	**597,932,075**	**1,897,216,479**
	Net	**280,022,663**	**122,321,704**	**39,089,734**	**7,425,611**	**448,859,712**

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(i) Insurance risk (continued)

Year ended 31 December 2012 Class of business General insurance business		Maximum insured loss Range 01 KShs 0 m to KShs 15m KShs '000	Range 02 KShs 15m to KShs 250m KShs '000	Range 03 KShs 250m to KShs 1000m KShs '000	Range 04 KShs 1000m + KShs '000	Total KShs '000
Motor	Gross	39,333,012	23,728,768	-	-	63,061,780
	Net	26,288,390	23,060,874	-	-	49,349,264
Fire	Gross	89,513,866	185,746,321	149,129,070	237,946,361	662,335,618
	Net	3,680,223	17,296,233	17,877,697	41,044,987	79,899,140
Personal accident	Gross	92,008,305	106,359,598	83,839,980	55,747,231	337,955,114
	Net	24,700,895	47,885,174	34,986,969	29,962,292	137,535,330
Other	Gross	117,421,729	137,164,098	71,822,826	351,074,454	677,483,107
	Net	27,455,376	40,088,735	31,323,723	177,825,652	276,693,486
Life assurance business						
Ordinary life	Gross	10,698,147	283,430	-	-	10,981,577
	Net	9,306,725	15,785	-	-	9,322,510
Group life	Gross	127,712,084	11,918,335	-	-	139,630,419
	Net	49,486,197	663,750	-	-	50,149,947
Total	**Gross**	**476,687,143**	**465,200,550**	**304,791,876**	**644,768,046**	**1,891,447,615**
	Net	**140,917,806**	**129,010,551**	**84,188,389**	**248,832,931**	**602,949,677**

(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.

(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)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(ii) Financial risk (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

	Kenya US Dollar KShs '000	Uganda Shs KShs '000	Tanzania Shs KShs '000	Mauritius Rupees KShs '000	Burundi Francs KShs '000	Total KShs '000
As at 31 December 2013						
Assets						
Receivables arising out of reinsurance arrangements	-	298,149	233,413	-	79,608	611,170
Deferred acquisition costs	-	122,705	21,255	41,256	19,654	204,870
Deposit with financial institutions	1,188,292	1,601,358	820,494	55,410	185,629	3,851,183
Cash and bank balances	250,412	144,206	37,142	65,047	16,679	513,486
Total assets	**1,438,704**	**2,166,418**	**1,112,304**	**161,713**	**301,570**	**5,180,709**
Liabilities						
Provision for unearned premium	-	1,244,619	94,464	585,235	145,236	2,069,554
Insurance contract liabilities	-	1,858,894	705,903	212,255	64,093	2,841,145
Creditors arising out of reinsurance arrangements	-	454,366	200,388	12,276	104,982	772,012
Borrowings	1,305,953	-	-	-	-	1,305,953
Total liabilities	**1,305,953**	**3,557,879**	**1,000,755**	**809,766**	**314,311**	**6,988,664**
Net statement of financial position	**132,751**	**(1,391,461)**	**111,549**	**(648,053)**	**(12,741)**	**(1,807,955)**

	Kenya US Dollar KShs '000	Uganda Shs KShs '000	Tanzania Shs KShs '000	Mauritius Rupees KShs '000	Burundi Francs KShs '000	Total KShs '000
As at 31 December 2012						
Assets						
Receivables arising out of reinsurance arrangements	-	112,985	415,140	226,772	69,679	824,576
Deferred acquisition costs	-	18,007	3,875	64,094	14,739	100,715
Deposit with financial institutions	57,596	-	144,101	22,632	103,492	327,821
Cash and bank balances	-	1,867	19,383	124,141	22,150	167,541
Total assets	**57,596**	**132,859**	**582,499**	**437,639**	**210,060**	**1,420,653**
Liabilities						
Provision for unearned premium	-	91,222	214,751	526,104	117,931	950,008
Insurance contract liabilities	-	115,015	152,684	196,781	78,549	543,029
Creditors arising out of reinsurance arrangements	-	8,033	7,374	149,517	80,758	245,682
Borrowings	1,295,706	-	-	-	-	1,295,706
Total liabilities	**1,295,706**	**214,270**	**374,809**	**872,402**	**277,238**	**3,034,425**
Net statement of financial position	**(1,238,110)**	**(81,411)**	**207,690**	**(434,763)**	**(67,178)**	**(1,613,772)**

At 31st December 2013, 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 19.8 million (2012: KShs 16.3 million) higher/lower, mainly as a result of US dollar receivables and bank balances.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(ii) Financial risk (continued)

(a) Market risk (continued)

(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).

Group

At 31st December 2013, if the NSE, USE and DSE indices had increased/decreased by 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 12.4 million (2012: KShs 0.4million) higher/lower and equity would have been KShs 579.8 million (2012: KShs 416.2 million) higher/lower.

Company

At 31st December 2013, 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, then equity movement would have been negligible.

(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 – Barclays Bank Medium Term Loan.

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 122 million (2012: KShs 81 million) would be required as a result of a further worsening of 20% in mortality.

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 31st December 2013, if interest rates on quoted corporate bonds at that date had been 5% higher/lower with all other variables held constant, post-tax profit for the year would have been KShs 0.2 million (2012: KShs 0.1 million) higher/lower, mainly as a result of higher/ lower interest income on floating rate quoted corporate bonds.

(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.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(ii) Financial risk (continued)

(c) Credit risk (continued)

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.

The Government of Kenya (GOK) has a long term rating of (B+) (stable) by Standard and Poors. GOK has not defaulted on debt obligation in the past.

The amount that best represents the Group's and Company's maximum exposure to credit risk at 31st December 2013 is made up as follows:

	Group		Company	
Maximum exposure to credit risk before collateral held	**2013 KShs '000**	**2012 KShs '000**	**2013 KShs '000**	**2012 KShs '000**
Receivables arising out of reinsurance arrangements	1,889,223	1,995,710	-	-
Receivables arising out of direct insurance arrangements	3,563,752	1,918,436	-	-
Reinsurers' share of insurance liabilities	6,913,943	4,590,189	-	-
Government securities at armortised cost	19,067,633	13,108,583	-	-
Commercial bond	887,417	1,010,039	-	-
Cash and bank balances	575,296	477,359	37,784	20,370
Loans on life insurance policies	512,944	398,836	-	-
Mortgage loans	29,067	22,316	-	-
Deposits with financial institutions	6,161,262	5,540,923	1,824	1,776
Other receivables	572,251	850,623	114,271	1,737
Totals	**40,172,788**	**29,913,014**	**153,879**	**23,883**

Surrender value 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)
- Receivables arising out of reinsurance arrangements

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

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(ii) Financial risk (continued)

(c) Credit risk (continued)

	Direct Insurance Arrangements		Reinsurance Arrangements	
	2013 KShs '000	**2012 KShs '000**	**2013 KShs '000**	**2012 KShs '000**
Neither past due nor impaired	1,228,525	582,073	170,365	490,969
Past due but not impaired	2,365,674	1,133,802	1,123,656	814,231
Impaired	273,511	488,682	604,877	699,686
Gross	**3,867,710**	**2,204,557**	**1,898,898**	**2,004,886**
Less: allowance for impairment	(303,958)	(286,121)	(9,675)	(9,176)
Net	**3,563,752**	**1,918,436**	**1,889,223**	**1,995,710**

Movements on the provision for impairment of receivables are as follows;

	Direct Insurance Arrangements		Reinsurance Arrangements	
	2013 KShs '000	**2012 KShs '000**	**2013 KShs '000**	**2012 KShs '000**
At start of year	286,121	214,093	9,176	10,625
Increase/(decrease) in the year	17,837	72,028	499	(1,449)
At end of year	**303,958**	**286,121**	**9,675**	**9,176**

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

	Direct Insurance Arrangements		Reinsurance Arrangements	
Past due but not impaired:	**2013 KShs '000**	**2012 KShs '000**	**2013 KShs '000**	**2012 KShs '000**
- by up to 30 days	689,331	283,199	33,824	101,444
- by 31 to 60 days	1,018,945	333,623	949,604	486,155
- by 61 to 150 days	361,918	332,076	14,442	56,738
- by 151 to 360 days	295,480	184,904	125,786	169,894
Total past due but not impaired	**2,365,674**	**1,133,802**	**1,123,656**	**814,231**

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	
Individually assessed impaired receivables	**2013 KShs '000**	**2012 KShs '000**	**2013 KShs '000**	**2012 KShs '000**
- brokers	231,989	424,246	-	-
- agents	13,059	9,002	-	-
- insurance companies	5,070	4,686	604,877	699,686
- direct clients	23,393	50,748	-	-
Total	**273,511**	**488,682**	**604,877**	**699,686**

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(ii) Financial risk (continued)

(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 withdrawn.

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.

	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
Year ended 31 December 2013					
Insurance contract liabilities	-	-	4,852,545	10,422,427	15,274,972
Payable under deposit administration contracts	-	-	-	22,605,806	22,605,806
Creditors arising out of direct insurance arrangements	-	-	69,846	-	69,846
Creditors arising out of reinsurance arrangements	-	-	1,901,454	-	1,901,454
Trade and other payables	203,821	56,603	1,265,243	-	1,525,667
Borrowings	-	-	1,305,953	-	1,305,953
Totals	**203,821**	**56,603**	**9,395,041**	**33,028,233**	**42,683,698**
Year ended 31 December 2012					
Insurance contract liabilities	-	-	3,405,330	8,782,273	12,187,603
Payable under deposit administration contracts	-	-	-	16,485,196	16,485,196
Creditors arising out of direct insurance arrangements	-	-	38,950	-	38,950
Creditors arising out of reinsurance arrangements	-	-	1,647,628	-	1,647,628
Trade and other payables	157,405	15,907	950,054	-	1,123,366
Borrowings	-	-	-	1,295,706	1,295,706
Totals	**157,405**	**15,907**	**6,041,962**	**26,563,175**	**32,778,449**

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 Nairobi Securities Exchange equity investments classified as trading securities or available-for-sale. 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.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(ii) Financial risk (continued)

(d) Liquidity risk (continued)

Fair value estimation (continued)

	Carrying Amount						Fair value			
	Designated at fair value through profit or loss KShs '000	Held-to-maturity KShs '000	Loans and receivables 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
31 December 2013										
Financial assets measured at fair value										
Equity securities	7,981,438	-	-	1,553,840	-	9,535,278	7,373,435	-	2,161,843	9,535,278
Financial assets not measured at fair value										
Mortgage loans	-	-	29,067	-	-	29,067	-	-	-	-
Loans on life insurance policies	-	-	512,945	-	-	512,945	-	-	-	-
Government securities	-	19,067,633	-	-	-	19,067,633	-	-	-	-
Commercial bonds	-	887,417	-	-	-	887,417	-	-	-	-
Trade and other receivables	-	-	575,250	-	-	575,250	-	-	-	-
Cash and cash equivalents	-	-	6,736,558	-	-	6,736,558	-	-	-	-
	-	**19,955,050**	**7,853,820**	**-**	**-**	**27,808,870**	**-**	**-**	**-**	**-**
Financial liabilities not measured at fair value										
Trade and other payables	-	-	-	-	(1,525,667)	(1,525,667)	-	-	-	-
Dividend payable	-	-	-	-	(194,004)	(194,004)	-	-	-	-
Borrowings	-	-	-	-	(1,305,953)	(1,305,953)	-	-	-	-
	-	**-**	**-**	**-**	**(3,025,624)**	**(3,025,624)**	**-**	**-**	**-**	**-**

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(ii) Financial risk (continued)

(d) Liquidity risk (continued)

Fair value estimation (continued)

	Carrying Amount						Fair value			
	Designated at fair value through profit or loss KShs '000	Held-to-maturity KShs '000	Loans and receivables 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
31 December 2012										
Financial assets measured at fair value										
Equity securities	5,961,581	-	-	955,642	-	6,917,223	5,301,877	-	1,615,346	6,917,223
Financial assets not measured at fair value										
Mortgage loans	-	-	22,316	-	-	22,316	-	-	-	-
Loans on life insurance policies	-	-	398,836	-	-	398,836	-	-	-	-
Government securities	-	13,108,583	-	-	-	13,108,583	-	-	-	-
Commercial bonds	-	1,010,039	-	-	-	1,010,039	-	-	-	-
Trade and other receivables	-	-	850,623	-	-	850,623	-	-	-	-
Cash and cash equivalents	-	-	6,018,282	-	-	6,018,282	-	-	-	-
	-	**14,118,622**	**7,290,057**	**-**	**-**	**21,408,679**	**-**	**-**	**-**	**-**
Financial liabilities not measured at fair value										
Trade and other payables	-	-	-	-	(1,123,366)	(1,123,366)	-	-	-	-
Dividend payable	-	-	-	-	(150,646)	(150,646)	-	-	-	-
Borrowings	-	-	-	-	(1,295,706)	(1,295,706)	-	-	-	-
	-	**-**	**-**	**-**	**(2,569,718)**	**(2,569,718)**	**-**	**-**	**-**	**-**

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(ii) Financial risk (continued)

(d) Liquidity risk (continued)

Fair value estimation (continued)

Specific valuation techniques used to value 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 as explained below.

The following table presents the changes in level 3 instruments for the year ended 31st December 2013.

	Unquoted shares 2013 KShs '000	Unquoted shares 2012 KShs '000
Opening balance	1,615,346	1,961,000
Additions	338,717	10,046
Gains and losses recognised in other comprehensive income	-	1,346
Gains and losses recognised in profit or loss	207,625	(357,418)
Exchange variation	155	372
Closing balance (Note 19)	**2,161,843**	**1,615,346**
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period (Note 19)	207,625	(357,418)

(e) 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 Insurance Act;
- 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. 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)

(e) Capital risk management (continued)

	2013					
	Kenya KShs '000	Uganda KShs '000	Tanzania KShs '000	Burundi KShs '000	Mauritius KShs '000	Total KShs '000
Amount of paid up capital	1,300,000	92,132	127,690	30,574	93,560	1,643,956
Regulatory capital requirements	450,000	75,169	108,553	19,380	75,000	728,102

	2012					
	Kenya KShs '000	Uganda KShs '000	Tanzania KShs '000	Burundi KShs '000	Mauritius KShs '000	Total KShs '000
Amount of paid up capital	700,000	92,132	127,690	30,574	85,701	1,036,097
Regulatory capital requirements	450,000	75,169	108,553	19,380	75,000	728,102

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

In Kenya the solvency and capital adequacy margins are calculated based on Kenyan Solvency Law, which requires the application of a formula that contains variables for expenses and admitted assets, as contained in section 41 -1 of the Insurance Act.

General insurance businesses are required to keep a solvency margin, i.e. admitted assets less admitted liabilities, equivalent to the higher of KShs 10 million or 15% of the net premium income during the preceding financial year.

Long term insurance businesses are required to keep a solvency margin i.e. admitted assets less admitted liabilities, equivalent to the higher of KShs 10 million or 5% of total admitted liabilities.

In Uganda, required capital is determined to be the 'company action level risk based capital', based on Section 6 of the Insurance statute 1996. 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

	KShs '000			
Operating Segment results	**General**	**Ordinary, Group Life & Pensions**	**Investments**	**Total**
For the year ended 31 December 2013				
Gross earned premium revenue	15,289,281	2,798,665	-	18,087,946
Less: outward reinsurance	6,912,803	401,758	-	7,314,561
Net insurance premium revenue	**8,376,478**	**2,396,907**	**-**	**10,773,385**
Investment and other income	1,010,238	2,578,694	108,100	3,697,032
Net fair value gains on financial assets	160,754	1,727,123	-	1,887,877
Commission earned	1,673,357	10,988		1,684,345
Total income	**11,220,827**	**6,713,712**	**108,100**	**18,042,639**
Claims and policy holders benefits payable	11,163,404	5,472,641	-	16,636,045
Claims recoverable from re-insurers	5,462,632	187,859	-	5,650,491
Net insurance benefits and claims	**5,700,772**	**5,284,782**	**-**	**10,985,554**
Operating and other expenses	1,661,961	675,197	146,470	2,483,628
Commission payable	1,780,309	564,844	-	2,345,153
Total expenses and commissions	**3,442,270**	**1,240,041**	**146,470**	**4,828,781**
Result of operating activities	**2,077,785**	**188,889**	**(38,370)**	**2,228,304**
Finance costs	-	-	(47,629)	(47,629)
Share of result of associates	122,414	121,207	726,892	970,513
Group profit before income tax	**2,200,199**	**310,096**	**640,893**	**3,151,188**
Income tax expense	526,575	93,028	28,768	648,371
Profit for the year	**1,673,624**	**217,068**	**612,125**	**2,502,817**
For the year ended 31 December 2012				
Gross earned premium revenue	13,144,648	2,254,866	-	15,399,514
Less: outward reinsurance	5,665,160	361,372		6,026,532
Net insurance premium revenue	**7,479,488**	**1,893,494**	**-**	**9,372,982**
Investment and other income	782,657	2,101,475	272,849	3,156,981
Net fair value gains on financial assets	(13,300)	456,847	-	443,547
Commission earned	1,333,864	1,750	17,234	1,352,848
Total income	**9,582,709**	**4,453,566**	**290,083**	**14,326,358**
Claims and policy holders benefits payable	8,564,413	3,633,790	-	12,198,203
Claims recoverable from re-insurers	3,426,962	215,704	-	3,642,666
Net insurance benefits and claims	**5,137,451**	**3,418,086**	**-**	**8,555,537**
Operating and other expenses	1,495,940	571,440	136,498	2,203,878
Commission payable	1,567,999	452,858	-	2,020,857
Total expenses and commissions	**3,063,939**	**1,024,298**	**136,498**	**4,224,735**
Result of operating activities	**1,381,319**	**11,182**	**153,585**	**1,546,086**
Finance costs	-	-	(47,937)	(47,937)
Share of result of associates	157,921	163,394	873,839	1,195,154
Group profit before income tax	**1,539,240**	**174,576**	**979,487**	**2,693,303**
Income tax expense	317,551	49,049	42,202	408,802
Profit for the year	**1,221,689**	**125,527**	**937,285**	**2,284,501**

5. SEGMENT INFORMATION (CONTINUED)

Operating segments (continued)

	KShs '000			
Segment assets and liabilities	**General**	**Ordinary, Group Life & Pensions**	**Investments**	**Total**
As at 31 December 2013				
Property and equipment	105,520	54,676	3,133	163,329
Investment properties	244,910	3,140,720	1,059,961	4,445,591
Investment in associates	1,100,649	1,233,099	4,131,835	6,465,583
Deferred income tax asset	68,061	-	22,692	90,753
Investment in shares	2,711,665	6,703,890	119,723	9,535,278
Mortgage loans	6,184	22,883	-	29,067
Loans on life insurance policies	-	512,945	-	512,945
Government securities at armortised cost	3,461,501	15,606,132	-	19,067,633
Commercial bonds	320,606	566,811	-	887,417
Premium receivables	4,978,305	474,670	-	5,452,975
Reinsurers' share of insurance contract liabilities	6,780,287	133,656	-	6,913,943
Deffered acquisition costs	109,341	-	-	109,341
Other receivables	222,706	230,193	119,351	572,250
Current income tax recoverable	22,004	-	154,518	176,522
Deposits with financial institutions	2,485,560	3,065,765	609,937	6,161,262
Cash and bank balances	163,296	306,412	105,588	575,296
Total assets	**22,780,595**	**32,051,852**	**6,326,738**	**61,159,185**
Deferred income tax liability	35,948	63,509	73,521	172,978
Insurance contract liabilities	7,396,797	7,878,175	-	15,274,972
Payable under deposit administration contracts	-	22,605,806	-	22,605,806
Unearned premium reserve	6,355,840	-	-	6,355,840
Creditors arising out of direct insurance arrangements	-	69,846	-	69,846
Creditors arising out of reinsurance arrangements	1,780,614	120,840	-	1,901,454
Trade and other payables	713,881	740,673	265,117	1,719,671
Borrowings	-	-	1,305,953	1,305,953
Current income tax payable	148,265	-	4,818	153,083
Total liabilities	**16,431,345**	**31,478,849**	**1,649,409**	**49,559,603**
Net assets	**6,349,250**	**573,003**	**4,677,329**	**11,599,582**

5. SEGMENT INFORMATION (CONTINUED)

Operating segments (continued)

Segment assets and liabilities (continued)	General	Ordinary, Group Life & Pensions	Investments	Total
	KShs '000			
As at 31 December 2012				
Property and equipment	83,557	48,446	2,514	134,517
Investment properties	97,697	2,668,000	987,088	3,752,785
Investment in associates	871,263	1,305,068	3,952,235	6,128,566
Deferred income tax asset	69,614	12,750	14,279	96,643
Investment in shares	1,432,482	4,914,660	570,081	6,917,223
Mortgage loans	5,913	16,403	-	22,316
Loans on life insurance policies	-	398,836	-	398,836
Government securities at armortised cost	2,713,665	10,394,918	-	13,108,583
Commercial bonds	351,598	658,441	-	1,010,039
Premium receivables	3,571,707	342,439	-	3,914,146
Reinsurers' share of insurance contract liabilities	4,416,038	174,151	-	4,590,189
Deffered acquisition costs	143,002	-	-	143,002
Other receivables	671,872	156,212	22,539	850,623
Current income tax recoverable	6,948	-	164,842	171,790
Deposits with financial institutions	2,446,702	3,061,582	32,639	5,540,923
Cash and bank balances	226,756	188,942	61,661	477,359
Total assets	**17,108,814**	**24,340,848**	**5,807,878**	**47,257,540**
Deferred income tax liability	12,242	64,878	52,514	129,634
Insurance contract liabilities	5,196,972	6,990,631	-	12,187,603
Payable under deposit administration contracts	-	16,485,196	-	16,485,196
Unearned premium reserve	5,338,620	-	-	5,338,620
Creditors arising out of direct insurance arrangements	-	38,950	-	38,950
Creditors arising out of reinsurance arrangements	1,559,166	88,462	-	1,647,628
Trade and other payables	544,009	510,475	219,528	1,274,012
Borrowings	-	-	1,295,706	1,295,706
Current income tax payable	157,408	-	3,094	160,502
Total liabilities	**12,808,417**	**24,178,592**	**1,570,842**	**38,557,851**
Net assets	**4,300,397**	**162,256**	**4,237,036**	**8,699,689**

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

Geographical Segment results	Kenya	Uganda	Tanzania	Mauritius	Burundi	Total
For the year ended 31 December 2013						
Gross earned premium revenue	10,834,309	2,833,837	3,235,244	954,877	229,679	18,087,946
Less: outward reinsurance	2,636,326	1,829,510	2,095,395	583,645	169,685	7,314,561
Net insurance premium revenue	**8,197,983**	**1,004,327**	**1,139,849**	**371,232**	**59,994**	**10,773,385**
Investment and other income	2,917,971	419,274	315,782	8,519	35,486	3,697,032
Net fair value gains on financial assets	1,887,877	-	-	-	-	1,887,877
Commission earned	571,193	373,486	536,872	161,921	40,873	1,684,345
Total income	**13,575,024**	**1,797,087**	**1,992,503**	**541,672**	**136,353**	**18,042,639**
Claims and policy holders benefits payable	12,186,349	1,506,018	2,063,440	764,397	115,841	16,636,045
Claims recoverable from re-insurers	2,991,708	920,224	1,197,185	463,898	77,476	5,650,491
Net insurance benefits and claims	**9,194,641**	**585,794**	**866,255**	**300,499**	**38,365**	**10,985,554**
Operating and other expenses	1,628,447	293,130	379,736	125,946	56,369	2,483,628
Commission payable	1,533,677	266,569	423,136	109,323	12,448	2,345,153
Total expenses and commissions	**3,162,124**	**559,699**	**802,872**	**235,269**	**68,817**	**4,828,781**
Result of operating activities	**1,218,259**	**651,594**	**323,376**	**5,904**	**29,171**	**2,228,304**
Finance costs	-	(47,629)	-	-	-	(47,629)
Share of result of associates	539,344	431,169	-	-	-	970,513
Group profit before income tax	**1,757,603**	**1,035,134**	**323,376**	**5,904**	**29,171**	**3,151,188**
Income tax expense	389,889	149,359	102,834	-	6,289	648,371
Profit for the year	**1,367,714**	**885,775**	**220,542**	**5,904**	**22,882**	**2,502,817**
For the year ended 31 December 2012						
Gross earned premium revenue	9,881,506	2,465,318	2,369,838	464,394	218,458	15,399,514
Less: outward reinsurance	2,500,558	1,580,748	1,443,385	343,403	158,438	6,026,532
Net insurance premium revenue	**7,380,948**	**884,570**	**926,453**	**120,991**	**60,020**	**9,372,982**
Investment and other income	2,467,506	508,935	146,568	7,725	26,247	3,156,981
Net fair value gains on financial assets	443,547	-	-	-	-	443,547
Commission earned	554,890	296,597	359,898	107,503	33,960	1,352,848
Total income	**10,846,891**	**1,690,102**	**1,432,919**	**236,219**	**120,227**	**14,326,358**
Claims and policy holders benefits payable	9,148,198	1,107,201	1,437,652	323,012	182,140	12,198,203
Claims recoverable from re-insurers	1,902,882	627,262	736,738	230,345	145,439	3,642,666
Net insurance benefits and claims	**7,245,316**	**479,939**	**700,914**	**92,667**	**36,701**	**8,555,537**
Operating and other expenses	1,510,573	299,996	263,573	84,139	45,597	2,203,878
Commission payable	1,390,495	245,247	321,547	56,659	6,909	2,020,857
Total expenses and commissions	**2,901,068**	**545,243**	**585,120**	**140,798**	**52,506**	**4,224,735**
Result of operating activities	**700,507**	**664,920**	**146,885**	**2,754**	**31,020**	**1,546,086**
Finance costs	-	(47,937)	-	-	-	(47,937)
Share of result of associates	869,390	325,764	-	-	-	1,195,154
Group profit before income tax	**1,569,897**	**942,747**	**146,885**	**2,754**	**31,020**	**2,693,303**
Income tax expense	179,471	169,712	51,359	-	8,260	408,802
Profit for the year	**1,390,426**	**773,035**	**95,526**	**2,754**	**22,760**	**2,284,501**

5. SEGMENT INFORMATION (CONTINUED)

Geographical segments (continued)

	KShs '000					
Segment assets and liabilities	**Kenya**	**Uganda**	**Tanzania**	**Mauritius**	**Burundi**	**Total**
As at 31 December 2013						
Property and equipment	86,640	17,765	29,021	17,642	12,261	163,329
Investment properties	3,140,720	977,640	244,910	-	82,321	4,445,591
Investment in associates	4,406,826	2,058,757	-	-	-	6,465,583
Deferred income tax asset	49,942	39,738	-	-	1,073	90,753
Investment in shares	9,300,900	167,019	57,893	-	9,466	9,535,278
Mortgage loans	22,883	6,184	-	-	-	29,067
Loans on life insurance policies	508,353	-	3,423	-	1,169	512,945
Government securities at armortised cost	17,565,774	1,071,352	430,507	-	-	19,067,633
Commercial bonds	837,715	49,702	-	-	-	887,417
Premium receivables	3,526,804	950,573	560,766	336,909	77,923	5,452,975
Reinsurers' insurance contract liabilities	3,428,582	1,692,625	1,299,164	379,461	114,111	6,913,943
Deffered acquisition costs	218,148	(45,770)	(37,891)	(14,570)	(10,576)	109,341
Other receivables	469,482	26,581	32,323	4,814	39,050	572,250
Current income tax recoverable	10,974	143,544	22,004	-	-	176,522
Deposits with financial institutions	3,396,291	1,601,358	922,573	49,809	191,231	6,161,262
Cash and bank balances	287,377	141,281	62,645	65,437	18,556	575,296
Total assets	**47,257,411**	**8,898,349**	**3,627,338**	**839,502**	**536,585**	**61,159,185**
Deferred income tax liability	75,746	62,424	34,808	-	-	172,978
Insurance contract liabilities	12,349,902	1,687,022	1,001,872	192,901	43,275	15,274,972
Payable under deposit administration contracts	22,126,153	119,779	292,020	-	67,854	22,605,806
Unearned premium reserve	3,505,659	1,131,608	1,167,655	440,516	110,402	6,355,840
Creditors arising out of direct insurance	69,846	-	-	-	-	69,846
Creditors arising out of reinsurance	1,003,547	435,708	244,054	113,163	104,982	1,901,454
Trade and other payables	1,422,470	155,249	82,050	12,276	47,626	1,719,671
Borrowings	-	1,305,953	-	-	-	1,305,953
Current income tax payable	135,672	3,629	-	-	13,782	153,083
Total liabilities	**40,688,995**	**4,901,372**	**2,822,459**	**758,856**	**387,921**	**49,559,603**
Net assets	**6,568,416**	**3,996,977**	**804,879**	**80,646**	**148,664**	**11,599,582**

5. SEGMENT INFORMATION (CONTINUED)

Geographical segments (continued)

Segment assets and liabilities	Kenya	Uganda	Tanzania	Mauritius	Burundi	Total
			KShs '000			
As at 31 December 2012						
Property and equipment	70,811	19,451	24,093	8,396	11,766	134,517
Investment properties	2,668,000	912,490	97,697	-	74,598	3,752,785
Investment in associates	4,080,486	2,048,080	-	-	-	6,128,566
Deferred income tax asset	83,109	15,549	(2,889)	-	874	96,643
Investment in shares	6,706,013	173,739	31,706	-	5,765	6,917,223
Mortgage loans	16,402	5,914	-	-	-	22,316
Loans on life insurance policies	397,667	-	-	-	1,169	398,836
Government securities at armortised cost	12,037,435	842,843	228,305	-	-	13,108,583
Commercial bonds	963,650	46,389	-	-	-	1,010,039
Premium receivables	2,293,542	920,346	442,718	226,235	31,305	3,914,146
Reinsurers' insurance contract liabilities	2,091,978	1,276,558	790,940	325,930	104,783	4,590,189
Deffered acquisition costs	222,626	(42,720)	6,787	(34,206)	(9,485)	143,002
Other receivables	591,960	47,723	164,831	3,121	42,988	850,623
Current income tax recoverable	11,008	153,834	6,948	-	-	171,790
Deposits with financial institutions	3,621,165	788,305	999,732	22,632	109,089	5,540,923
Cash and bank balances	166,147	98,845	64,435	122,864	25,068	477,359
Total assets	**36,021,999**	**7,307,346**	**2,855,303**	**674,972**	**397,920**	**47,257,540**
Deferred income tax liability	75,745	41,341	12,548	-	-	129,634
Insurance contract liabilities	10,183,906	1,022,863	820,811	111,211	48,812	12,187,603
Payable under deposit administration contracts	16,159,738	71,082	241,445	-	12,931	16,485,196
Unearned premium reserve	3,125,648	1,007,740	786,614	332,541	86,077	5,338,620
Creditors arising out of direct insurance	38,950	-	-	-	-	38,950
Creditors arising out of reinsurance	508,083	704,717	202,992	149,517	82,319	1,647,628
Trade and other payables	824,229	167,621	225,104	8,428	48,630	1,274,012
Borrowings	-	1,295,706	-	-	-	1,295,706
Current income tax payable	124,354	25,832	-	-	10,316	160,502
Total liabilities	**31,040,653**	**4,336,902**	**2,289,514**	**601,697**	**289,085**	**38,557,851**
Net assets	**4,981,346**	**2,970,444**	**565,789**	**73,275**	**108,835**	**8,699,689**

6. GROSS EARNED PREMIUM

Group

Short-Term business

Premium earned by principal class of business:

	2013			2012		
	Gross KShs '000	Reinsurance KShs '000	Net KShs '000	Gross KShs '000	Reinsurance KShs '000	Net KShs '000
Motor	3,826,210	688,122	3,138,088	3,117,808	208,643	2,909,165
Fire	2,162,767	1,724,319	438,448	1,844,955	1,339,015	505,940
Accident	2,523,987	1,560,020	963,967	2,423,764	1,614,008	809,756
Medical	5,937,634	2,330,353	3,607,281	4,631,765	1,676,101	2,955,664
Other	838,683	609,989	228,694	1,126,356	827,393	298,963
Total Short-Term	**15,289,281**	**6,912,803**	**8,376,478**	**13,144,648**	**5,665,160**	**7,479,488**

Long-Term business

Premium earned by principal class of business:

	2013			2012		
	Gross KShs '000	Reinsurance KShs '000	Net KShs '000	Gross KShs '000	Reinsurance KShs '000	Net KShs '000
Ordinary life	1,471,284	5,748	1,465,536	1,226,237	9,782	1,216,455
Group life	911,499	396,010	515,489	779,320	351,590	427,730
Pension/annuity	415,882	-	415,882	249,309	-	249,309
Total Long -Term	**2,798,665**	**401,758**	**2,396,907**	**2,254,866**	**361,372**	**1,893,494**
Total Short-Term and Long - Term	**18,087,946**	**7,314,561**	**10,773,385**	**15,399,514**	**6,026,532**	**9,372,982**

7. INVESTMENT AND OTHER INCOME

	2013 KShs '000	2012 KShs '000
Government securities interest	2,148,912	1,541,644
Bank deposit interest	581,709	684,932
Policy loans interest	73,831	59,571
Mortgage loan interest	1,691	1,349
Realized gains on disposal of quoted shares	253,158	67,850
Rental income from investment properties (net of expenses)	246,648	231,491
Dividends receivable from equity investments	190,047	263,508
Fair value gain on investment properties (Note 16)	149,015	223,308
Exchange (loss)/gain	(4,864)	29,639
Other income	56,885	53,689
Total	**3,697,032**	**3,156,981**

8. CLAIMS AND POLICY HOLDER BENEFITS PAYABLE

Group

Short-Term business

Claims payable by principal class of business	2013 Gross KShs '000	2013 Reinsurance KShs '000	2013 Net KShs '000	2012 Gross KShs '000	2012 Reinsurance KShs '000	2012 Net KShs '000
Motor	2,688,637	504,859	2,183,778	2,390,252	287,087	2,103,165
Fire	2,291,810	2,112,053	179,757	774,369	624,726	149,643
Accident	1,540,991	974,664	566,327	1,403,230	904,134	499,096
Medical	4,382,862	1,732,763	2,650,099	3,682,825	1,451,862	2,230,963
Other	259,104	138,293	120,811	313,737	159,153	154,584
Total Short-Term	**11,163,404**	**5,462,632**	**5,700,772**	**8,564,413**	**3,426,962**	**5,137,451**

Long-Term business

Claims payable by principal class of business	2013 Gross KShs '000	2013 Reinsurance KShs '000	2013 Net KShs '000	2012 Gross KShs '000	2012 Reinsurance KShs '000	2012 Net KShs '000
Ordinary life	538,877	742	538,135	328,410	-	328,410
Group life	392,391	187,117	205,274	269,162	218,888	50,274
Pension/annuity	329,953	-	329,953	455,040	-	455,040
Total Long -Term	**1,261,221**	**187,859**	**1,073,362**	**1,052,612**	**218,888**	**833,724**

Policy Holder Benefits

Increase in policy holders benefits	2013 Gross KShs '000	2013 Reinsurance KShs '000	2013 Net KShs '000	2012 Gross KShs '000	2012 Reinsurance KShs '000	2012 Net KShs '000
Ordinary life	384,632	-	384,632	431,384	1,576	429,808
Group life	160,975	-	160,975	28,166	(4,760)	32,926
Pension/annuity	3,665,813	-	3,665,813	2,121,628	-	2,121,628
Total Long -Term	**4,211,420**	**-**	**4,211,420**	**2,581,178**	**(3,184)**	**2,584,362**
Total Long -Term - Claims & policy holders benefits	**5,472,641**	**187,859**	**5,284,782**	**3,633,790**	**215,704**	**3,418,086**
Total Short-Term and Long - Term	**16,636,045**	**5,650,491**	**10,985,554**	**12,198,203**	**3,642,666**	**8,555,537**

9. OPERATING EXPENSES

Group

The breakdown of operating expenses is given below:

	2013 KShs '000	2012 KShs '000
Employee benefits expense (note 10)	1,286,021	1,101,217
Auditors' remuneration	18,185	13,710
Depreciation (Note 15)	67,428	54,792
Impairment charge for doubtful premium receivables	17,837	72,028
Operating lease rentals - land and buildings	108,777	90,464
Repairs and maintenance expenditure	15,351	15,924
Professional fees	65,568	40,405
Travelling costs	9,681	4,242
Marketing costs	76,441	86,168
Communication costs	26,194	18,718
Software maintenance and printing costs	10,584	11,413
Premium tax and policy holder compensation fund	126,563	126,746
Administrative costs	654,998	568,051
Total	**2,483,628**	**2,203,878**

10. (i) EMPLOYEE BENEFITS EXPENSE

Group

	2013 KShs '000	2012 KShs '000
Salaries and wages	1,080,841	924,406
National Social Security Fund	26,880	17,641
Retirement benefit costs – defined contribution plan	41,267	33,606
Other benefits	137,033	125,564
Total	**1,286,021**	**1,101,217**

(ii) KEY MANAGEMENT COMPENSATION AND DIRECTORS' REMUNERATION

Key management compensation & directors fees	2013 KShs '000	2012 KShs '000
Salaries and other employment benefits	157,050	144,871
Fees for services as directors	3,197	3,119
Total	**160,247**	**147,990**

There were no loans given to Directors in the year ended 31st December 2013 (2012: 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	
	2013 KShs '000	**2012 KShs '000**	**2013 KShs '000**	**2012 KShs '000**
Profit before income tax	3,151,188	2,693,303	596,550	788,179
Tax calculated at the enacted domestic tax rate	971,150	815,168	178,965	236,454
Effect of :				
Income not subject to income tax	(370,920)	(351,327)	(220,711)	(236,053)
Expenses not deductible for tax purposes	161,234	2,505	34,015	-
Transfer of life fund to shareholders	(93,028)	(49,049)	-	-
Prior year (over)/under provision	(20,065)	(8,495)	-	(12,275)
Income tax charge	**648,371**	**408,802**	**(7,731)**	**(11,874)**
Current income tax	599,137	443,894	791	1,542
Deferred income tax (25)	49,234	(35,092)	(8,522)	(13,416)
	648,371	**408,802**	**(7,731)**	**(11,874)**

Movement in the tax recoverable account is as follows;

	2013 KShs '000	**2012 KShs '000**	**2013 KShs '000**	**2012 KShs '000**
At start of year	(11,288)	(58,872)	(10,145)	(11,687)
Taxation charge	599,137	443,894	791	1,542
Taxation paid	(611,288)	(396,310)	-	-
At end of year	**(23,439)**	**(11,288)**	**(9,354)**	**(10,145)**

Disclosed as follows;

	2013 KShs '000	**2012 KShs '000**	**2013 KShs '000**	**2012 KShs '000**
Current income tax recoverable	(176,522)	(171,790)	(9,354)	(10,145)
Current income tax payable	153,083	160,502	-	-
Total	**(23,439)**	**(11,288)**	**(9,354)**	**(10,145)**

12. SHARE CAPITAL

The total authorized number of ordinary shares is 70,000,000 (2012: 70,000,000) with a par value of KShs 5 per share. At 31st December 2013 59,895,000 ordinary shares were in issue (2012:59,895,000 ordinary shares). All issued shares are fully paid.

Share Capital	Share Capital 2013 KShs '000	Share Capital 2012 KShs '000	Number of shares 2013 KShs '000	Number of shares 2012 KShs '000
Authorised	350,000	350,000	70,000	70,000
Issued and fully paid:				
At start of year	299,475	272,250	59,895	54,450
Bonus issue of shares	-	27,225	-	5,445
At end of year	**299,475**	**299,475**	**59,895**	**59,895**

All shares rank equally with regard to the company's 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.

13. RESERVES

The breakdown of reserves is as follows;

	Group		Company	
	2013 KShs '000	2012 KShs '000	2013 KShs '000	2012 KShs '000
Fair value reserves	231,436	(329,005)	3,951	(731)
General reserves	70,000	70,000	70,000	70,000
Translation reserves	(136,871)	(411,491)	-	-
Contingency reserves	654,862	551,207	-	-
Total	**819,427**	**(119,289)**	**73,951**	**69,269**

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

a) Fair value reserves

	Group		Company	
	2013 KShs '000	2012 KShs '000	2013 KShs '000	2012 KShs '000
At start of year	(329,005)	(553,376)	(731)	(879)
Other fair value gains	-	2,278	-	-
Fair value gains through other comprehensive income	560,627	250,664	4,682	148
Transfer to retained earnings on disposal	(186)	(28,571)	-	-
At end of year	**231,436**	**(329,005)**	**3,951**	**(731)**

13. RESERVES (CONTINUED)

The fair value reserve is non-distributable.

b) General reserves (Group & Company)

	2013 KShs '000	2012 KShs '000
At start of year	70,000	70,000
Transfer to retained earnings	-	-
At end of year	**70,000**	**70,000**

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

c) Translation reserve (Group)

	2013 KShs '000	2012 KShs '000
At start of year	(411,491)	(214,053)
Movement for the year	274,620	(197,438)
At end of year	**(136,871)**	**(411,491)**

d) Contingency reserve (Group)

	2013 KShs '000	2012 KShs '000
At start of year	551,207	472,125
Transfer from retained earnings	103,655	79,082
At end of year	**654,862**	**551,207**

Provisions of the Insurance Act in Tanzania and Uganda require an annual transfer to contingency reserve of between 1% - 3% of the gross premium.

14. DIVIDENDS PER SHARE

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 59.895 million was paid (2012: KShs 59.895 million) or KShs 1.00 per share (2012: KShs 1.00 per share). At the Annual General Meeting to be held on 29th May 2014, a final dividend of KShs 359.370 million (2012: KShs 359.370 million) is to be proposed, which is KShs 6.00 per share (2012: KShs 6.00 per share). The total dividend is therefore KShs 419.625 million (2012: KShs 419.625million) or KShs 7.00 per share (2012: KShs 7.00 per share).

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

15. PROPERTY AND EQUIPMENT

Group

	Computer equipment KShs '000	Motor vehicles KShs '000	Furniture, fixtures, fittings & office equipment KShs '000	Total KShs '000
Year ended 31 December 2013				
Cost				
At start of year	280,548	53,117	190,865	524,530
Additions	30,560	12,006	53,476	96,042
Disposals	-	(3,818)	(37)	(3,855)
Exchange gain	1,484	624	1,603	3,711
At end of year	**312,592**	**61,929**	**245,907**	**620,428**
Accumulated depreciation				
At start of year	216,977	32,496	140,540	390,013
Charge for the year	36,143	7,687	23,598	67,428
On disposals	-	(3,128)	13	(3,115)
Exchange gain	1,009	457	1,307	2,773
At end of year	**254,129**	**37,512**	**165,458**	**457,099**
Net book value	**58,463**	**24,417**	**80,449**	**163,329**

	Computer equipment KShs '000	Motor vehicles KShs '000	Furniture, fixtures, fittings & office equipment KShs '000	Total KShs '000
Year ended 31 December 2012				
Cost				
At start of year	212,933	39,428	178,304	430,665
Additions	69,125	14,231	16,076	99,432
Disposals	-	(124)	(972)	(1,096)
Exchange loss	(1,510)	(418)	(2,543)	(4,471)
At end of year	**280,548**	**53,117**	**190,865**	**524,530**
Accumulated depreciation				
At start of year	182,792	25,890	130,062	338,744
Charge for the year	35,057	6,840	12,895	54,792
On disposals	-	-	(999)	(999)
Exchange loss	(872)	(234)	(1,418)	(2,524)
At end of year	**216,977**	**32,496**	**140,540**	**390,013**
Net book value	**63,571**	**20,621**	**50,325**	**134,517**

15. PROPERTY AND EQUIPMENT (CONTINUED)

Company

	Computer equipment KShs '000	Motor vehicles KShs '000	Furniture, fixtures, fittings & office equipment KShs '000	Total KShs '000
Year ended 31 December 2013				
Cost				
At start of year	-	-	-	-
Additions	201	-	1,452	1,653
At end of year	**201**	**-**	**1,452**	**1,653**
Accumulated depreciation				
At start of year	-	-	-	-
Charge for the year	67	-	145	212
At end of year	**67**	**-**	**145**	**212**
Net book value	**134**	**-**	**1,307**	**1,441**

16. INVESTMENT PROPERTIES

Group

	2013 KShs '000	2012 KShs '000
At start of year	3,752,785	3,587,623
Net additions	480,388	-
Fair value gains (note 7)	149,015	223,308
Exchange gain/(loss)	63,403	(58,146)
At end of year	**4,445,591**	**3,752,785**

Investment property comprises a number of commercial properties that are leased to third parties. Investment property in Tanzania was valued by Redfearn International Limited on the basis of open market value. Investment properties include properties situated outside Kenya valued at KShs 1,305 million (2012: KShs 1,085 million).

17. INVESTMENT IN ASSOCIATED COMPANIES AND SUBSIDIARIES

i. Investment in associated companies

Movement in Net Assets

Group

	Opening Balance KShs '000	Redemption KShs '000	Dividends received KShs '000	Share of result KShs '000	Translation gain KShs '000	Closing Balance KShs '000
Year 2013						
IPS Power Investments Ltd	**169,268**	-	-	-	-	**169,268**
PDML (Holding) Limited	**1,446,544**	-	(9,903)	113,876	-	**1,550,517**
Bujagali Holding Power Company Limited	**2,059,946**	(506,851)	(32,157)	431,169	68,022	**2,020,129**
FCL Holding Ltd	**1,201,439**	-	(152,607)	259,489	-	**1,308,321**
IPS Cable Holding Systems Ltd	**1,251,369**	-	-	165,979	-	**1,417,348**
Total	**6,128,566**	**(506,851)**	**(194,667)**	**970,513**	**68,022**	**6,465,583**

	Opening Balance KShs '000	Additions KShs '000	Dividends received KShs '000	Share of result KShs '000	Translation loss KShs '000	Closing Balance KShs '000
Year 2012						
IPS Power Investments Ltd	**169,268**	-	-	-	-	**169,268**
PDML (Holding) Limited	**1,230,287**	-	(9,903)	226,160	-	**1,446,544**
Bujagali Holding Power Company Limited	**1,738,829**	63,186	-	325,764	(67,833)	**2,059,946**
FCL Holding Ltd	**1,141,404**	13,390	(143,665)	190,310	-	**1,201,439**
IPS Cable Holding Systems Ltd	**798,449**	-	-	452,920	-	**1,251,369**
Total	**5,078,237**	**76,576**	**(153,568)**	**1,195,154**	**(67,833)**	**6,128,566**

17. INVESTMENT IN ASSOCIATED COMPANIES AND SUBSIDIARIES (CONTINUED)

i. Investment in associated companies (continued)

Company

	2013 KShs '000	2012 KShs '000
Investment at cost		
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) Ltd 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 it's main objective being sale of fresh and processed meat products. IPS Cable Systems Ltd is an investment vehicle company which has invested in the 15,000 km Seacom submarine fiber optic cable project.

The associates have been equity accounted in these financial statements using results based on draft financial statements as at 31st December 2013. 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 31st December 2012 of KShs 19million is included in the current year share of result.

17. INVESTMENT IN ASSOCIATED COMPANIES AND SUBSIDIARIES (CONTINUED)

i. Investment in associated companies (continued)

The following table summarizes the information relating to each of the Group's associates;

Group

	IPS Power Investments Ltd KShs '000	PDML Holdings Limited KShs '000	Bujagali Holding Power Company Limited KShs '000	FCL Holding Ltd KShs '000	IPS Cable Holding Systems Ltd KShs '000	Total KShs '000
Country of incorporation	Kenya	Kenya	Uganda	Kenya	Mauritius	-
Interest held	27%	37%	25%	30%	33%	-
Year 2013						
Assets	4,271,467	5,501,257	28,815,786	3,757,986	8,017,864	50,364,360
Liabilities	793,531	947,676	20,083,602	892,015	3,220,990	25,937,814
Net assets	**3,477,936**	**4,553,581**	**8,732,184**	**2,865,971**	**4,796,874**	**24,426,546**
Revenue	4,454,690	482,336	59,469	7,666,256	526,466	13,189,217
Profit	761,267	338,650	1,767,982	867,607	373,627	4,109,133
Cash flows from operating activities	723,199	232,706	(324,836)	567,952	(3,566)	1,195,455
Cash flows from investing activities	(345)	(93,809)	4,390,834	(163,398)	387,567	4,520,849
Cash flows from financing activities	(357,442)	(30,209)	(4,510,316)	(508,000)	(571,065)	(5,977,032)
Net increase/(decrease) in cash and cash equivalents	**365,412**	**108,688**	**(444,318)**	**(103,446)**	**(187,064)**	**(260,728)**

	IPS Power Investments Ltd KShs '000	PDML Holdings Limited KShs '000	Bujagali Holding Power Company Limited KShs '000	FCL Holding Ltd KShs '000	IPS Cable Holding Systems Ltd KShs '000	Total KShs '000
Year 2012						
Assets	3,919,291	4,992,605	35,575,093	3,364,836	7,911,348	55,763,173
Liabilities	856,071	961,686	24,939,606	858,472	3,626,238	31,242,073
Net assets	**3,063,220**	**4,030,919**	**10,635,487**	**2,506,364**	**4,285,110**	**24,521,100**
Revenue	4,880,352	444,081	336,251	6,409,529	1,065,331	13,135,544
Profit	735,265	577,931	1,481,272	631,722	880,413	4,306,603
Cash flows from operating activities	942,768	294,562	(812,593)	614,502	(1,094)	1,038,145
Cash flows from investing activities	(2,620)	(135,705)	1,373,840	(116,386)	1,064,443	2,183,572
Cash flows from financing activities	(1,187,969)	(30,266)	1,892,897	(480,000)	(1,028,647)	(833,985)
Net increase/(decrease) in cash and cash equivalents	**(247,821)**	**128,591**	**2,454,144**	**18,116**	**34,702**	**2,387,732**

17. INVESTMENT IN ASSOCIATED COMPANIES AND SUBSIDIARIES (CONTINUED)

i. Investment in associated companies (continued)

Company

	FCL Holding Ltd KShs '000	IPS Cable Holding Systems Ltd KShs '000	Total KShs '000
Country of incorporation	Kenya	Mauritius	-
Interest held	30%	33%	-
Year 2013			
Assets	3,757,986	8,017,864	11,775,850
Liabilities	892,015	3,220,990	4,113,005
Net assets	**2,865,971**	**4,796,874**	**7,662,845**
Revenue	7,666,256	526,466	8,192,722
Profit	867,607	373,627	1,241,234
Cash flows from operating activities	567,952	(3,566)	564,386
Cash flows from investing activities	(163,398)	387,567	224,169
Cash flows from financing activities	(508,000)	(571,065)	(1,079,065)
Net decrease in cash and cash equivalents	**(103,446)**	**(187,064)**	**(290,510)**

	FCL Holding Ltd KShs '000	IPS Cable Holding Systems Ltd KShs '000	Total KShs '000
Year 2012			
Assets	3,364,836	7,911,348	11,276,184
Liabilities	858,472	3,626,238	4,484,710
Net assets	**2,506,364**	**4,285,110**	**6,791,474**
Revenue	6,409,529	1,065,288	7,474,817
Profit	631,722	881,575	1,513,297
Cash flows from operating activities	614,502	(1,094)	613,408
Cash flows from investing activities	(116,386)	1,064,443	948,057
Cash flows from financing activities	(480,000)	(1,028,647)	(1,508,647)
Net increase in cash and cash equivalents	**18,116**	**34,702**	**52,818**

17. INVESTMENT IN ASSOCIATED COMPANIES AND SUBSIDIARIES (CONTINUED)

ii. Investment in subsidiaries

Company

	Investment at Cost 2013 KShs '000	Investment at Cost 2012 KShs '000	Equity Held 2013 %	Equity Held 2012 %
Jubilee Insurance Company of Kenya Limited	450,000	450,000	100%	100%
Jubilee Insurance Company of Tanzania Limited	72,911	72,911	51%	51%
Jubilee Insurance Company of Uganda Limited	25,195	25,195	65%	65%
Jubilee Insurance (Mauritius) Limited	59,492	59,492	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)	426	426	100%	100%
Total	**1,712,029**	**1,712,029**		

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

17. INVESTMENT IN ASSOCIATED COMPANIES AND SUBSIDIARIES (CONTINUED)

iii. Non controlling interest

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

Year 2013	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	4,974,371	3,648,405	840,411	447,828	92,243	-	10,003,258
Liabilities	3,538,914	2,841,132	865,702	400,928	79,588	-	7,726,264
Net assets	**1,435,457**	**807,273**	**(25,291)**	**46,900**	**12,655**	**-**	**2,276,994**
Carrying amount of NCI	502,171	395,564	(5,058)	14,070	2,531	-	909,278
Revenue	1,004,326	1,139,850	371,232	59,993	-	-	2,575,401
Profit	378,853	220,544	5,905	16,704	6,357	-	628,363
OCI	96,521	(7,718)	(27)	27	6	-	88,809
Total comprehensive income	**475,374**	**212,826**	**5,878**	**16,731**	**6,363**	**-**	**717,172**
Profit allocated to NCI	132,598	108,067	1,181	5,011	1,271	-	248,128
OCI allocated to NCI	33,782	(3,782)	(5)	8	1	(48,910)	(18,906)
Cash flow from operating activities	227,350	178,358	(8,688)	66,513	(2,662)	-	460,871
Cash flow from investing activities	(115,110)	(151,538)	958	9,105	9,601	-	(246,984)
Cash flows from financing activities	(100,974)	(27,940)	-	-	-	-	(128,914)
Net increase/ (decrease) in cash and cash equivalents	**11,266**	**(1,120)**	**(7,730)**	**75,618**	**6,939**	**-**	**84,973**

17. INVESTMENT IN ASSOCIATED COMPANIES AND SUBSIDIARIES (CONTINUED)

iii. Non controlling interest (continued)

Year 2012	**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	4,024,084	2,913,468	675,508	320,037	83,854	-	8,016,951
Liabilities	2,963,579	2,290,931	706,682	289,868	77,564	-	6,328,624
Net assets	**1,060,505**	**622,537**	**(31,174)**	**30,169**	**6,290**	**-**	**1,688,327**
Carrying amount of NCI	370,939	305,043	(6,235)	9,051	1,258	-	680,056
Revenue	884,572	926,454	120,991	60,019	-	-	1,992,036
Profit	329,839	95,528	2,754	18,002	4,820	-	450,943
OCI	(56,438)	12,213	287	(1,428)	(557)	-	(45,923)
Total comprehensive income	**273,401**	**107,741**	**3,041**	**16,574**	**4,263**	**-**	**405,020**
Profit allocated to NCI	115,443	46,809	551	5,401	964		169,168
OCI allocated to NCI	(19,753)	5,984	57	(428)	(111)	(32,796)	(47,047)
Cash flow from operating activities	314,883	304,967	54,832	45,937	(1,695)	-	718,924
Cash flow from investing activities	(448,036)	(294,006)	(2,698)	3,051	8,969	-	(732,720)
Cash flows from financing activities	(46,632)	(24,172)	-	11,944	-	-	(58,860)
Net increase/ (decrease) in cash and cash equivalents	**(179,785)**	**(13,211)**	**52,134**	**60,932**	**7,274**	**-**	**(72,656)**

18. QUOTED SHARES

Group

	FV Through P/L 2013 KShs '000	FV Through OCI 2013 KShs '000	Total 2013 KShs '000	FV Through P/L 2012 KShs '000	FV Through OCI 2012 KShs '000	Total 2012 KShs '000
At start of year	**4,409,470**	**892,407**	**5,301,877**	**3,739,567**	**871,119**	**4,610,686**
Additions	451,412	1,360	452,772	223,518	31,477	254,995
Disposals	(630,955)	(379)	(631,334)	(392,320)	(189,384)	(581,704)
Transfer to retained earnings on disposal	-	(186)	(186)	-	(28,571)	(28,571)
Reclassification FVTPL-FVTOCI	-	-	-	37,307	(37,307)	-
Fair value gain through other comprehensive income	-	564,325	564,325	-	248,750	248,750
Fair value gain through profit or loss	1,680,252	-	1,680,252	800,965	-	800,965
Exchange gain/(loss)	-	5,729	5,729	433	(3,677)	(3,244)
At end of year	**5,910,179**	**1,463,256**	**7,373,435**	**4,409,470**	**892,407**	**5,301,877**

Company

	FV Through P/L 2013 KShs '000	FV Through OCI 2013 KShs '000	Total 2013 KShs '000	FV Through P/L 2012 KShs '000	FV Through OCI 2012 KShs '000	Total 2012 KShs '000
At start of year	**-**	**17,073**	**17,073**	**-**	**18,270**	**18,270**
Fair value (loss)/gain through other comprehensive income	-	4,682	4,682	-	(1,197)	(1,197)
At end of year	**-**	**21,755**	**21,755**	**-**	**17,073**	**17,073**

19. UNQUOTED SHARES

Group

	FV Through P/L 2013 KShs '000	FV Through OCI 2013 KShs '000	Total 2013 KShs '000	FV Through P/L 2012 KShs '000	FV Through OCI 2012 KShs '000	Total 2012 KShs '000
At start of year	1,552,111	63,235	1,615,346	1,909,529	51,471	1,961,000
Additions/transfers	311,523	27,194	338,717	-	10,046	10,046
Fair value gain through other comprehensive income	-	-	-	-	1,346	1,346
Fair value (loss)/gain through profit and loss	207,625	-	207,625	(357,418)	-	(357,418)
Exchange gain/(loss)	-	155	155	-	372	372
At end of year	**2,071,259**	**90,584**	**2,161,843**	**1,552,111**	**63,235**	**1,615,346**

Company

	FV Through P/L 2013 KShs '000	FV Through OCI 2013 KShs '000	Total 2013 KShs '000	FV Through P/L 2012 KShs '000	FV Through OCI 2012 KShs '000	Total 2012 KShs '000
At start of year	-	12,007	12,007	-	9,337	9,337
Additions/transfers	-	-	-	-	1,325	1,325
Fair value gain through other comprehensive income	-	-	-	-	1,345	1,345
At end of year	**-**	**12,007**	**12,007**	**-**	**12,007**	**12,007**

NOTES (CONTINUED)

20. LOANS RECEIVABLE

Group

(i) Mortgage Loans

Movement	2013 KShs '000	2012 KShs '000
At start of year	22,316	11,988
Loans advanced	18,748	11,249
Accrued Interest and penalties	8,084	3,888
Less: Provision for impairment gains during the year	(6,751)	(2,469)
Redemptions/repayments	(13,708)	(2,142)
Exchange gain/(loss)	378	(198)
At end of year	**29,067**	**22,316**
Maturity profile		
Loans maturing		
Within 1 year	216	-
In 1-5 years	5,283	8,201
In over 5 years	23,568	14,115
Total	**29,067**	**22,316**

(ii) Loans on life insurance policies

Movement	2013 KShs '000	2012 KShs '000
At start of year	398,836	290,775
Loans advanced	124,144	132,910
Interest	52,326	43,908
Loan repayments	(62,361)	(68,757)
At end of year	**512,945**	**398,836**
Maturity profile		
Loans maturing		
Within 1 year	6,398	6,149
In 1-5 years	242,132	229,879
In over 5 years	264,415	162,808
Total	**512,945**	**398,836**

21. GOVERNMENT SECURITIES AT AMORTISED COST

Group

Movement	2013 KShs '000	2012 KShs '000
At start of year	13,108,583	10,264,017
Additions	9,502,837	4,079,601
Maturities	(3,606,301)	(1,183,333)
Exchange gain/(loss)	62,514	(51,702)
At end of year	**19,067,633**	**13,108,583**
Maturity Profile		
Treasury bills maturing after 91 days of the date of acquisition	1,311,247	1,226,801
Treasury bonds maturing within 1 year	451,373	2,358,738
Treasury bonds maturing in 1-5 years	7,697,618	1,465,513
Treasury bonds maturing after 5 years	9,607,395	8,057,531
Total	**19,067,633**	**13,108,583**

22. COMMERCIAL BONDS

	2013 KShs '000	2012 KShs '000
At start of year	1,010,039	1,113,410
Additions	150,795	128,048
Maturities	(276,730)	(224,494)
Exchange gain/(loss)	3,313	(6,925)
At end of year	**887,417**	**1,010,039**

23. REINSURERS' SHARE OF INSURANCE CONTRACT LIABILITIES

Group

	2013 KShs '000	2012 KShs '000
Reinsurers' share of:		
- Unearned premium (Note 31)	2,721,648	2,087,369
- Notified claims outstanding and IBNR (Note 36)	4,192,295	2,502,820
Total	**6,913,943**	**4,590,189**

Amounts due from reinsures 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.

24. DEFERRED ACQUISITION COSTS

Group

	2013 KShs '000	2012 KShs '000
At start of year	143,002	176,230
Net decrease	(30,503)	(36,743)
Exchange (loss)/gain	(3,158)	3,515
At end of year	**109,341**	**143,002**

25. OTHER RECEIVABLES

	Group		Company	
	2013 KShs '000	2012 KShs '000	2013 KShs '000	2012 KShs '000
Deposits - Office rent and utilities	55,655	15,995	-	-
Prepayments	137,131	460,865	1,500	1,500
Recoverable advances	23,041	22,548	-	-
Staff accounts	29,815	22,111	-	-
Sundry debtors	326,608	329,104	112,771	237
Total	**572,250**	**850,623**	**114,271**	**1,737**

26. DEFERRED INCOME TAX

Deferred income tax is calculated, in full, on all temporary differences using a principal tax rate of 30% (2012: 30%). The movement in the deferred income tax account is as follow;

	Group		Company	
	2013 KShs '000	2012 KShs '000	2013 KShs '000	2012 KShs '000
At start of year	32,991	68,083	(1,179)	12,237
Income statement charge/(credit)	49,234	(35,092)	(8,522)	(13,416)
At end of year	**82,225**	**32,991**	**(9,701)**	**(1,179)**
Deferred income tax asset	(90,753)	(96,643)	(9,774)	(13,416)
Deferred income tax liability	172,978	129,634	73	12,237
Net deferred income tax liability/(asset)	**82,225**	**32,991**	**(9,701)**	**(1,179)**

26. DEFERRED INCOME TAX (CONTINUED)

	Group KShs '000			Company KShs '000		
	1 January 2013	Charged to the income statement	31 December 2013	1 January 2013	Charged to the income statement	31 December 2013
2013						
Fair value gains on investment properties	169,240	-	169,240	-	-	-
Accelerated depreciation	(35,498)	48,551	13,053	-	-	-
Impairment provisions	(63,473)	14,434	(49,039)	-	-	-
Other deductible temporary differences	(37,278)	(13,751)	(51,029)	(1,179)	(8,522)	(9,701)
Net deferred income tax liability/(asset)	**32,991**	**49,234**	**82,225**	**(1,179)**	**(8,522)**	**(9,701)**

	1 January 2012	Charged to the income statement	31 December 2012	1 January 2012	Charged to the income statement	31 December 2012
2012						
Fair value gains on investment properties	132,604	36,636	169,240	-	-	-
Accelerated depreciation	(36,530)	1,032	(35,498)	-	-	-
Impairment provisions	(31,141)	(32,332)	(63,473)	-	-	-
Other deductible temporary differences	3,150	(40,428)	(37,278)	12,237	(13,416)	(1,179)
Net deferred income tax liability/(asset)	**68,083**	**(35,092)**	**32,991**	**12,237**	**(13,416)**	**(1,179)**

27. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2013 KShs '000	2012 KShs '000	2013 KShs '000	2012 KShs '000
Cash and bank balances	575,296	477,359	37,784	20,370
Short-term deposits with banks	6,161,262	5,540,923	1,824	1,776
Total	**6,736,558**	**6,018,282**	**39,608**	**22,146**

28. EARNINGS PER SHARE

Earnings per ordinary share of KShs 5 each is calculated by dividing the net profit attributable to Shareholders by the number of shares outstanding at the end of the year.

Group

	2013 KShs '000	2012 KShs '000
Net profit attributable to Shareholders	2,254,689	2,115,333
Number of ordinary shares in issue	59,895	59,895
Earnings per share (KShs)-Basic and diluted	**38**	**35**

There were no potentially dilutive shares in issue at 31st December 2013 and 31st December 2012. Diluted earnings per share are therefore the same as basic earnings per share.

29. INSURANCE CONTRACT LIABILITIES

	2013 KShs '000	2012 KShs '000
Short-Term insurance contracts		
Claims reported and claims handling expenses	5,929,199	4,129,340
Claims incurred but not reported (IBNR)	1,467,598	1,067,632
Total Short-Term	**7,396,797**	**5,196,972**
Long-Term insurance contracts		
Claims reported and claims handling expenses	535,845	455,378
Actuarial value of long term liabilities	7,342,330	6,535,253
Total Long-Term	**7,878,175**	**6,990,631**
Total Short-Term and Long-Term	**15,274,972**	**12,187,603**

Gross claims reported, claims handling expenses 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 2013 and 2012 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	2009 KShs '000	2010 KShs '000	2011 KShs '000	2012 KShs '000	2013 KShs '000	Total KShs '000
Estimate of ultimate claims cost						
at end of accident year	2,377,538	478,082	1,221,654	4,979,220	8,513,908	17,570,402
one year later	1,256,612	467,212	958,199	2,724,122	-	5,406,145
two years later	72,472	285,305	482,795	-	-	840,572
three years later	266,099	161,864	-	-	-	427,963
four years later	302,717	-	-	-	-	302,717
Incurred per accident year	2,707,179	1,001,831	1,432,510	3,186,126	7,797,143	16,124,789
Current estimate of cumulative claims	3,248,968	965,176	1,283,355	2,910,533	7,472,864	15,880,896
Less: cumulative payments to date	(2,684,126)	(694,094)	(853,023)	(1,581,236)	(4,139,218)	(9,951,697)
Total gross claims liability included in the balance sheet before IBNR	**564,842**	**271,082**	**430,332**	**1,329,297**	**3,333,646**	**5,929,199**
Incurred but not reported (IBNR)	-	-	-	-	1,467,598	1,467,598
Total gross claims liability included in the balance sheet	**564,842**	**271,082**	**430,332**	**1,329,297**	**4,801,244**	**7,396,797**

29. INSURANCE CONTRACT LIABILITIES (CONTINUED)

Long-Term insurance contracts

The Group determines its liabilities on long term insurance contracts based on assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. 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 31st December 2013 by Actuarial Partners Consulting Sdn Bhd, consulting actuaries. In determining the statutory policy liabilities, the Net Premium Value (NPV) method and the assumptions specified in the Seventh Schedule of the Insurance Regulations, 1986, were used for policies valued by way of discounted cash flows. Other policy liabilities were valued as described below:

i. Under Group Temporary Assurance a reserve equal to the unearned portion of the office premium was held. An additional reserve for Incurred But Not Reported (IBNR) claims was also held.
ii. Under Group Disability Income Insurance (GDII), Group Critical Illness, Group Permanent Disability and Group Temporary Disability a reserve equal to the unearned portion of the office premium was held plus a reserve for IBNR.
iii. Under the riders ADB (Accidental Death Benefit), (ADB, TPD (Total Permanent Disablement), WOP (Waiver Of Premium)) combined and (ADB, TPD) combined, a reserve of one year's office premium was held previously. As at 31st December 2013, the reserve will be held equal to the unearned portion of the office premium plus Incurred But Not Reported (IBNR) claims reserve.
iv. Under Deposit Administration the reserve was taken equal to amount of the fund at the valuation date, including the 2013 bonus declaration.
v. Under the non-participating universal life policies, the reserve was calculated as equal to fund value at 31st December 2013 plus a half month mortality charge with the charge based on 100% QDSM table which is more conservative than the prescribed basis.

No deduction was made from the liabilities on account of reinsurance ceded other than for Group Temporary Assurance and Group Disability Income.

The policy liabilities were also valued using a realistic best estimate basis that took direct accounts of all expected cash flows on the various policies, such as actual premiums payable, commissions, expenses, claims, investment returns, bonuses etc. This resulting best-estimate liability was lower than that calculated using the NPV, demonstrating that the statutory liabilities are sufficient. All assets (including the excess of assets over liabilities) have been valued at market value/fair value as detailed in the notes to the financial statements

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. For liabilities under insurance contracts with fixed and guaranteed terms, key assumptions are unchanged for the duration of the contract. Changes in assumptions of mortality, lapses, inflation and investment return will not cause a significant change in the amount of the liability.

	Statutory Result			
	2013 KShs '000		2012 KShs '000	
Published	**24,799,923**		**19,420,956**	
Lapses +5%	24,799,923	0%	19,420,956	0%
Mortality annuities: -20% insurance: +20%	24,799,923	0%	19,420,956	0%
Mortality annuities: +20% insurance: -20%	24,799,923	0%	19,420,956	0%
Inflation +1%	24,799,923	0%	19,420,956	0%
Investment Return -1%	24,799,923	0%	19,420,956	0%
Expenses +10%	24,799,923	0%	19,420,956	0%

30. PAYABLE UNDER DEPOSIT ADMINISTRATION CONTRACTS

Group

	2013 KShs '000	2012 KShs '000
At start of year	16,485,196	12,408,082
Pension fund deposits received	4,417,371	3,538,023
Surrenders and annuities paid	(1,736,688)	(1,546,383)
Other movements in the fund	3,435,848	2,085,727
Exchange gain/(loss)	4,079	(253)
At end of year	**22,605,806**	**16,485,196**

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 31st December 2013 and 2012.

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:

	2013			2012		
	Gross KShs '000	Reinsurance KShs '000	Net KShs '000	Gross KShs '000	Reinsurance KShs '000	Net KShs '000
At start of year	5,338,620	2,087,369	3,251,251	4,681,437	1,804,235	2,877,202
Increase in the period (net)	1,017,220	634,279	382,941	657,183	283,134	374,049
At end of year	**6,355,840**	**2,721,648**	**3,634,192**	**5,338,620**	**2,087,369**	**3,251,251**

32. TRADE AND OTHER PAYABLES

	Group		Company	
	2013	2012	2013	2012
	KShs '000	KShs '000	KShs '000	KShs '000
Payroll liabilities	5,123	3,048	-	-
Value added tax payable	5,338	2,501	-	-
Withholding taxes payable	15,468	19,579	-	-
Other liabilites	1,128,946	780,321	3,027	99
Leave pay accrual	43,584	41,020	9,025	6,571
Accrued expenses	327,208	276,897	5,212	4,826
Total	**1,525,667**	**1,123,366**	**17,264**	**11,496**

33. BORROWINGS

The bank borrowing relates to a loan 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 attracts interest at 3.75% per annum and is secured by corporate guarantee from the Company. The principal loan will be repaid via one bullet payment when due for payment.

34. CONTINGENT LIABILITIES, COMMITMENTS AND OFF BALANCE SHEET ITEMS

The Group 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 2,800 million are held under lien with the Central Bank of Kenya as security deposit in favor of the Commissioner of Insurance as required under the provisions of section 32 of Kenya Insurance Act, KShs 17.86 million are held under lien with the Bank of Uganda as security deposit in favor of the Commissioner of Insurance as required under the provisions of section 7 (i) of Uganda Insurance Act and KShs 59.08 million are held under lien with the Bank of Tanzania as security deposit in favor of the Commissioner of Insurance as required under the provisions of Tanzania Insurance Act.

The Group does not have any material outstanding commitments. The Group has a KShs 30 million overdraft guarantee and letters of guarantee amounting to KShs 200 million with Diamond Trust Bank Kenya Limited.

35. RELATED PARTY TRANSACTIONS

The ultimate parent 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.

Group

i) Transactions with related parties	2013 KShs '000	2012 KShs '000
Gross premium		
Diamond Trust Bank Limited	142,476	148,527
Industrial Promotion Services (Kenya) Limited	66,449	131,241
TPS Eastern Africa Limited	10,709	40,296
Property Development and Management Limited	15,305	11,803
Nation Media Group	107,846	102,011
Total	**342,785**	**433,878**
Net claims incurred		
Diamond Trust Bank Limited	74,056	85,361
Industrial Promotion Services (Kenya) Limited	3,604	104,029
TPS Eastern Africa Limited	2,913	59,978
Property Development and Management Limited	69,214	13,399
Nation Media Group	9,509	145,480
Total	**159,296**	**408,247**
Services received from		
Industrial Promotion Services (Kenya) Limited	-	1,938
TPS Eastern Africa Limited	568	1,749
Nation Media Group	1,004	2,898
Total	**1,572**	**6,585**
ii) Balances with related parties		
Outstanding premium		
Diamond Trust Bank Limited	4,536	5,546
Industrial Promotion Services (Kenya) Limited	3,614	10,323
TPS Eastern Africa Limited	-	1,079
Property Development and Management Limited	8	(75)
Nation Media Group	5,736	9,582
Total	**13,894**	**26,455**
Outstanding claims		
Diamond Trust Bank Limited	-	11,035
Industrial Promotion Services (Kenya) Limited	-	23,832
TPS Eastern Africa Limited	5,834	44,082
Property Development and Management Limited	-	430
Nation Media Group	-	26,427
Total	**5,834**	**105,806**

35. RELATED PARTY TRANSACTIONS (CONTINUED)

ii) Balances with related parties (continued)	2013 KShs '000	2012 KShs '000
Deposits with financial institutions		
Diamond Trust Bank Limited	3,658,199	2,486,530
Total	**3,658,199**	**2,486,530**
Interest received from financial institutions		
Diamond Trust Bank Limited	231,869	153,453
Total	**231,869**	**153,453**

Company

Transactions with related parties	2013 KShs '000	2012 KShs '000
Due from related parties		
Jubilee Center Burundi	5,232	6,435
Jubilee Insurance (Mauritius) Limited	71,015	71,015
Jubilee Investment Company Limited (Tanzania)	641	641
Jubilee Insurance Company of Burundi Limited	24,213	24,213
Jubilee Investment Company Limited (Burundi)	50,840	58,746
Total	**151,941**	**161,050**
Due to related parties		
Jubilee Insurance Company of Kenya Limited	435,981	335,423
Jubilee Insurance Company of Tanzania Limited	13,513	13,481
Jubilee Insurance Company of Uganda Limited	2,756	293
Jubilee Investment Company Limited (Uganda)	217,408	205,124
Total	**669,658**	**554,321**
Net owing	**(517,717)**	**(393,271)**

36. MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

Group

(i) Short-Term business

	2013			2012		
	Gross KShs '000	Reinsurance KShs '000	Net KShs '000	Gross KShs '000	Reinsurance KShs '000	Net KShs '000
Notified claims	4,129,340	2,001,204	2,128,136	3,326,458	1,558,556	1,767,902
Incurred but not reported	1,067,632	501,616	566,016	772,633	362,040	410,593
Total at start of year	**5,196,972**	**2,502,820**	**2,694,152**	**4,099,091**	**1,920,596**	**2,178,495**
Cash paid for claims settled in year	(11,673,349)	(4,643,349)	(7,030,000)	(11,247,102)	(4,554,534)	(6,692,568)
Increase in liabilities						
arising from current year claims	9,067,771	4,246,667	4,821,104	7,200,199	2,636,326	4,563,873
arising from prior year claims	4,805,403	2,086,157	2,719,246	5,144,784	2,500,432	2,644,352
Total at end of year	**7,396,797**	**4,192,295**	**3,204,502**	**5,196,972**	**2,502,820**	**2,694,152**
Notified claims	5,929,199	3,435,044	2,494,155	4,129,340	2,001,204	2,128,136
Incurred but not reported	1,467,598	757,251	710,347	1,067,632	501,616	566,016
Total at end of year	**7,396,797**	**4,192,295**	**3,204,502**	**5,196,972**	**2,502,820**	**2,694,152**

(ii) Long-Term business

	2013			2012		
	Gross KShs '000	Reinsurance KShs '000	Net KShs '000	Gross KShs '000	Reinsurance KShs '000	Net KShs '000
Notified claims	455,378	164,488	290,890	424,268	156,959	267,309
Total at start of year	**455,378**	**164,488**	**290,890**	**424,268**	**156,959**	**267,309**
Cash paid for claims settled in year	(637,467)	(200,190)	(437,277)	(718,556)	(240,490)	(478,066)
Increase in liabilities						
arising from current year claims	16,121	(48,600)	64,721	115,528	20,321	95,207
arising from prior year claims	701,813	194,064	507,749	634,138	227,698	406,440
Total at end of year	**535,845**	**109,762**	**426,083**	**455,378**	**164,488**	**290,890**
Notified claims	535,845	109,762	426,083	455,378	164,488	290,890
Actuarial value of policy holders benefits	7,342,330	-	7,342,330	6,535,253	-	6,535,253
Total at end of year	7,878,175	109,762	7,768,413	6,990,631	164,488	6,826,143
Total at end of year Short-Term + Long-Term	**15,274,972**	**4,302,057**	**10,972,915**	**12,187,603**	**2,667,308**	**9,520,295**
Total at end of year Short-Term + Long-Term	**15,274,972**	**4,302,057**	**10,972,915**	**12,187,603**	**2,667,308**	**9,520,295**

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

37.1 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. 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.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with the date of initial application of 1st January 2013;

Disclosures – Offsetting of financial assets and financial liabilities (amendments to IFRS 7) introduces disclosures about the impact of netting arrangements on an entity's financial position. The amendments are effective for annual periods beginning on or after 1st January 2013 and interim period within those annual periods.

IAS 1 Presentation of Items of Other Comprehensive Income (effective from 1st July 2012) - this amendment requires that an entity present separately the items of other comprehensive income (OCI) that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss; and change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles.

IAS 1 will be adopted for the first time for the year ending 31st December 2013. There is no significant impact on the financial statements other than additional disclosure.

IFRS 10 Consolidated Financial Statements (effective from 1st January 2013) - this standard introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when it is exposed or has rights to variable returns from its involvement with that investee, it has the ability to affect those returns through its power over that investee and there is a link between power and returns. Control is reassessed as facts and circumstances change. IFRS 10 supersedes IAS 27 (2008) and SIC-12 Consolidation—Special Purpose Entities.

IFRS 10 will be adopted for the first time for the year ending 31st December 2013. The Group reassessed the control conclusion for its investees as at 1st January 2013 and concluded that there is no significant impact on the financial statements.

IFRS 11 Joint Arrangements (effective from 1st January 2013) - this standard focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It distinguishes joint arrangements between joint operations and joint ventures, and always requires the equity method for jointly controlled entities that are now called joint ventures. IFRS 11 supersedes IAS 31 and SIC-13 Jointly Controlled Entities-Non-Monetary Contributions by Venturers.

IFRS 11 will be adopted for the first time for the year ending 31st December 2013. The Group has no joint arrangements and consequently there is no significant impact on the financial statements.

IFRS 12 Disclosure of Interests in Other Entities (effective from 1st January 2013) - this standard combines, in a single standard, the disclosure requirements for subsidiaries, associates and joint arrangements, as well as unconsolidated structured entities. The required disclosures aim to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows.

As a result of the adoption of the new standard, the Group has increased the level of disclosure provided for the entity's interests in subsidiaries and associates.

IFRS 13 Fair Value Measurement (effective 13th January 2013) - this standard introduces a single source of guidance on fair value measurement for both financial and non-financial assets and liabilities by defining fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establishing a framework for measuring fair value and setting out disclosures requirements for fair value measurements.

In accordance with the transitional provisions for IFRS 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosure. Notwithstanding the above, the change has no significant impact on the measurement of the Group's assets and liabilities.

IAS 19 Employee Benefits (effective 1st January 2013) - the amendment requires that actuarial gains and losses are recognized immediately in OCI. This change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

37.1. Basis of preparation (continued)

and in plan assets in profit or loss, which currently is allowed under IAS 19. Furthermore, the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

IAS 19 will be adopted for the first time for the year ending 31st December 2013 and will be applied retrospectively. The Group has no defined benefits plans and consequently there is no significant impact on the financial statements.

IAS 27 Separate Financial Statements (2011) supersedes IAS 27 (2008) and is effective for year-ends commencing on or after 1st January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

IAS 28 Investments in Associates and Joint Ventures (2011) supersedes IAS 28 (2008) and is effective for year-ends commencing on or after 1st January 2013. IAS 28 (2011) makes the following amendments: (i) IFRS 5 applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and (ii) on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not remeasure the retained interest

The directors have assessed the relevance of these amendments and interpretations with respect to the company's operations and have concluded that they do not have a significant impact to the Group and additional disclosures are provided as required.
Future amendments early adopted in the 2013 annual financial statements

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to the financial liabilities. The International Accounting Standards Board (IASB) currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and new requirements to address the impairment of financial assets and hedge accounting. IFRS 9 (2010 and 2009) are effective for annual periods beginning on or after 1st January 2018 with early adoption permitted.

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

Future amendments not early adopted in the 2013 annual financial statements

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31st December 2013, and have not been applied;

Investment entities (Amendments to IFRS 10, IFRS 12 and IAS 27.Amends IFRS 10 Consolidated Financial Statements, IFRS12 Disclosure of Interests in Other Entities and IAS27 Separate Financial Statements. The amendments provides 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries, requires additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries, and requires an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated).This will become effective for years ending 31st December 2014.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32).The amendment clarifies the offsetting criteria in IAS 32 by explaining when an entity currently has a legal enforceable right to offset and when gross settlement is equivalent to net settlement. This will become effective for years ending 31st December 2014.

Recoverable amount disclosures for Non-Financial Assets (Amendments to IAS 36).The amendments propose to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed to reporting periods in which an impairment loss was recognized or reversed, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. This will become effective for years ending 31st December 2014.

IFRIC 21 Levies. The amendment provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. This will become effective for years ending 31st December 2014.

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

37.1. Basis of preparation (continued)

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19). IAS 19 requires all actuarial gains and losses to be recognized immediately in other comprehensive income. Companies who currently use the corridor approach under the current IAS 19 which is abolished are likely to have a more volatile statement of financial position as a result. This will become effective for years ending 30th June 2015.

Novation of Derivatives and continuation of Hedge Accounting (Amendments to IAS 39). This will become effective for years ending 31st December 2014.

Management will assess the relevance of these amendments and interpretations with respect to the company's operations and determine their impact on the financial statements.

37.2. 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 income statement, 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 income statement.

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

37.2. CONSOLIDATION

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 the income statement.

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 presented are translated at the closing rate at the reporting date
- Income and expenses for each profit and loss account 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.

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.

37.3. 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,

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

37.3. Segment information (continued)

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.

37.4 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 2.5. 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.

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

37.4 Insurance contracts (continued)

a) Classification (continued)

(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, and is computed using the 24ths method. 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. 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.

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

37.4 Insurance contracts (continued)

b) Recognition and measurement (continued)

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

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 (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 income statement. 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.

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

37.4 Insurance contracts (continued)

b) Recognition and measurement (continued)

(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 the profit or loss account. The Group gathers the objective evidence that an insurance

(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.

37.5 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 the profit and loss account.

37.6 Revenue recognition

(i) Insurance premium revenue

The revenue recognition policy relating to insurance contracts is set out under note 37.4 (b) i).

(ii) Non interest income from financial investments

The revenue recognition policy for non-interest income from financial investments is disclosed in note 37.10.

(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 income statement 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.

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

37.6 Revenue recognition (continued)

(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 2.4 (b) iii).

37.7 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 the income statement 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 the profit or loss account.

37.8 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. Investment Property is 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 income statement.

37.9 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.

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

37.9 Intangible assets (Continued)

(i) Goodwill (Continued)

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).

37.10 Financial assets and liabilities

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.

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.

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

37.10 Financial assets and liabilities (Continued)

(iii) 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 the income statement 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 the income statement and are included in the 'investment income' line item.

(iv) 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.

(v) 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.

(vi) Financial liabilities

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

(vii) Financial liabilities at FVTPL

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

(viii) Other financial liabilities

Other financial liabilities which includes creditors arising out of reinsurance arrangements and direct insurance arrangement 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.

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

37.10 Financial assets and liabilities (Continued)

(ix) 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.

(x) 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 the income statement.

b) Impairment of other non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and 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 the income statement.

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.

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

37.10 Financial assets and liabilities (continued)

(x) Impairment of financial assets (Continued)

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

37.11 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

37.12 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 the income statement 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 the profit or loss account on a straight-line basis over the period of the lease.

37.13 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.

37.14 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.

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

37.14 Employee benefits (continued)

(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 National Social Security Fund, which are defined contribution schemes. The Group's contributions to the defined contribution schemes are charged to the income statement in the year to which they relate.

(ii) Other entitlements

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

37.15 Income tax expense

Income tax expense is the aggregate of the charge to the income statement 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.

37.16 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 declared.

37.17 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.

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

37.18 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.

37.19 Comparatives

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

GROUP REVIEW—TEN YEARS

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
	KShs million									
Shareholders' Funds	10,690	8,020	6,153	5,114	3,389	2,871	3,606	3,393	2,370	2,094
Share Capital	299	299	272	248	225	225	225	180	180	180
Long-Term Business Funds	30,484	23,476	18,802	14,637	11,495	11,730	9,333	6,504	5,115	4,081
Total Assets	61,159	47,258	38,040	30,691	23,736	20,203	17,942	15,356	11,591	9,724
Profit Before Tax	3,151	2,693	2,144	2,053	1,116	901	810	665	471	359
Profit Attributable to Shareholders	2,255	2,115	1,802	1,756	825	636	617	528	348	241
Profit Attributable to Non - Controlling interest	248	169	108	83	89	77	46	32	47	36
Dividends to Shareholders	419	419	299	272	203	191	191	153	144	90
Dividend Cover Ratio	5.38	5.05	6.02	6.45	4.07	3.33	3.23	3.45	2.42	2.68
Bonus Issue	-	-	1:10	1:10	1:10	-	1:04	-	-	-
*Earnings Per Share (KShs) (par value KShs 5)	37.64	35.32	30.09	29.31	13.77	10.62	10.30	8.82	5.81	4.02

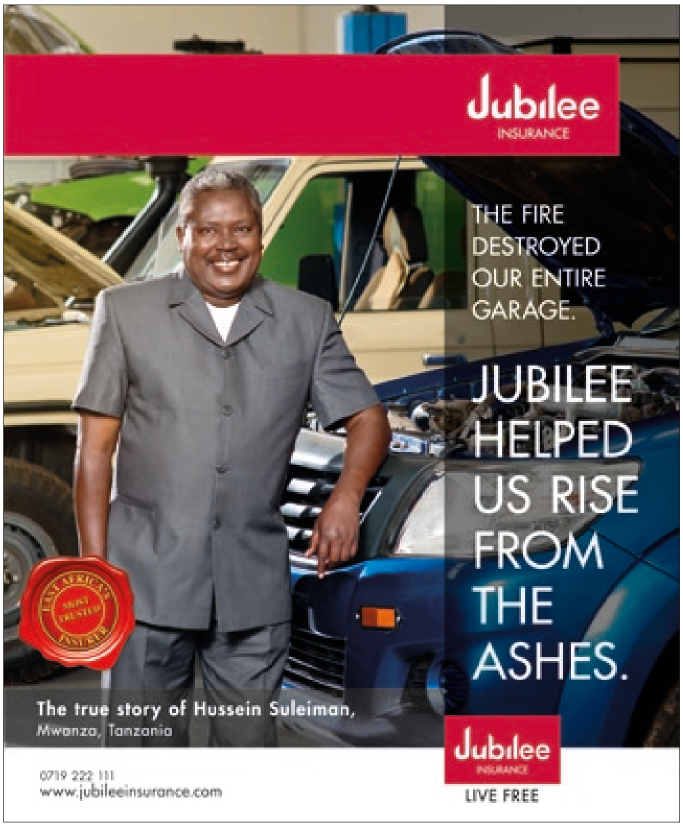
* Earnings per share has been calculated on 59.895 million shares for all the years.

INNOVATION IN COMPUTERS

The abacus, an ancient Chinese adding machine is the forerunner of the computer, way back in 400BC. Milestones in the 20th century included the invention of the transistor and the development of the micro-processor which led to the modern day computer.

The golden age of computers began with the digital revolution. The invention of the vacuum tube in 1904 kicked off a revolution in computers. The supercomputer was invented and it's most impressive feature was its super size! It is said that the supercomputer that put man on the moon required several floors and its total computing power was just about equal to an advanced modern day cell phone!

Nano technology and the internet have been two of the greatest advances in the field of computers...reducing machines to a molecular level and allowing such data access that the computer has literally become a universe in microcosm!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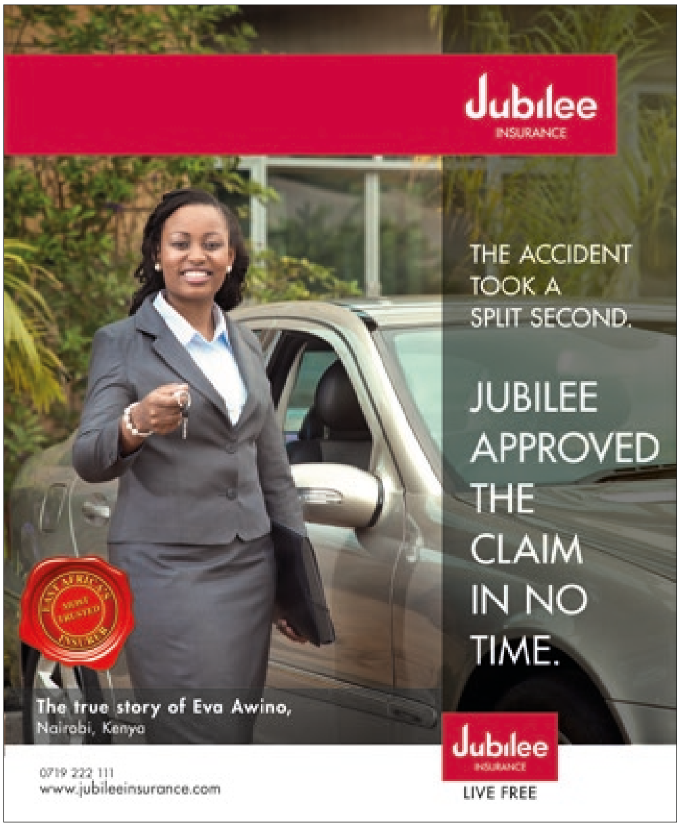
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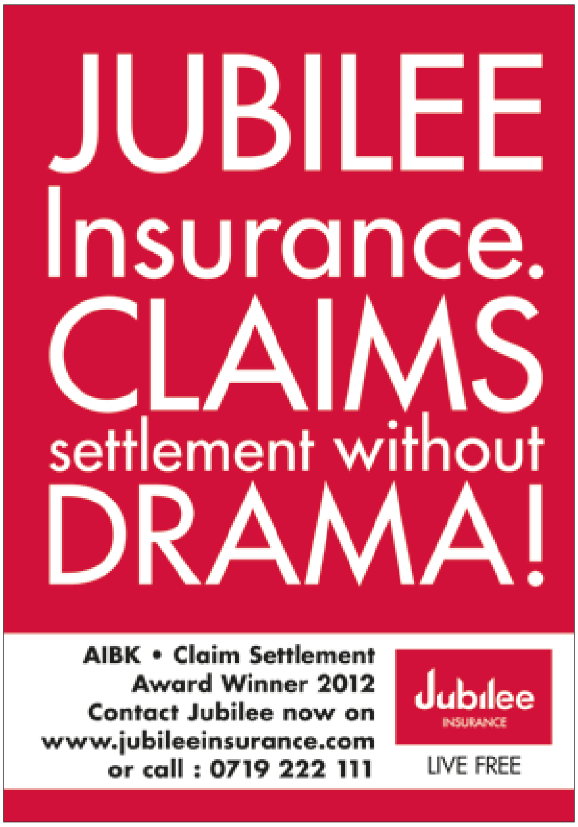
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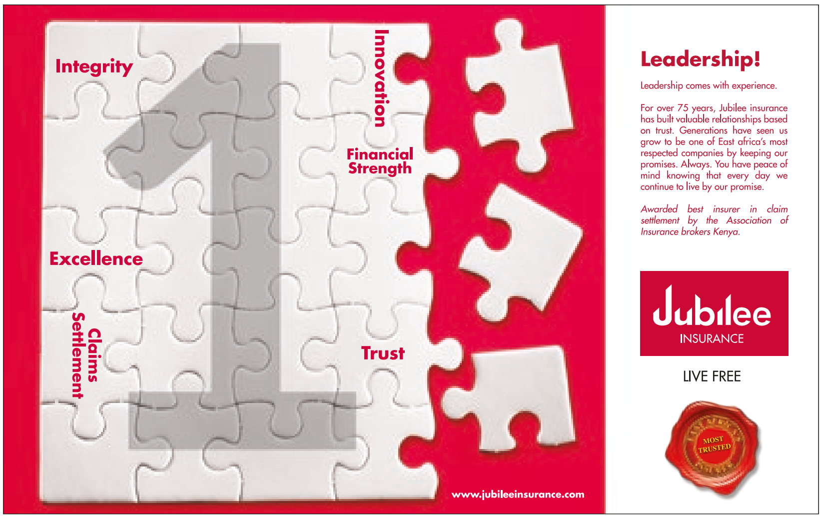
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ACHIEVEMENTS

KENYA

Think Business insurance awards

Overall winner:
Composite insurer of the year
Medical Insurer Underwriter of the Year
Risk management award
The ICT award
Fraud detection award

Runners up:
Major loss award
The Training award
Best pension fund

COYA awards

Human resource management award

CMA awards

2nd runner up Pensions fund

UGANDA

UAIB 2012 award
Overall winner – Sports Gala
ISO 9001:2008 re-certification
GCR rating of AA- (Stable)
TOP 50 brands in Uganda by PSFU (Private Sector Foundation of Uganda)

TANZANIA

GCR Rating of A+.
ISO 9001:2008 certified

KENYA

Head Office: Nairobi
Jubilee Insurance House
Wabera Street
P.O. Box 30376 – 00100
Tel: +254 (0)20 3281000
Fax: +254 (0)20 3281150
Email: jic@jubileekenya.com

Mombasa
Jubilee Insurance Building, 3rd Floor
Moi Avenue
P.O. Box 90220 – 80100
Tel: +254 (0)41 2224286 / 2314019 / 2316760
Fax: +254 (0)41 2316796
Email: mombasa@jubileekenya.com

Kisumu
Jubilee Insurance House, 3rd floor
Oginga Odinga Street
P.O. Box 378 – 40100
Tel: +254 (0)57 202 0836 / 202 0845
Fax: +254 (0)57 2020532
Email: jubileeinsurance.kisumu@jubileekenya.com

Kenya Agency Offices

Nairobi
Jubilee Exchange Building, 3rd Floor
Mama Ngina Street
P.O.Box 30376 – 00100
Tel: +254 (0)20 3281208 / 3281211

Tulip House, Ground Floor
Mombasa Road
P.O Box 30376-00100
Tel: +254 (0)715 545 419/444

Vanguard House, 6th Floor Wing B
1st Crossway Road, Chiromo Road, Westlands
P.O. Box 30376 - 00100
Tel: +254 (0)20 444 0390

Nakuru
Polo Centre, 1st floor
Kenyatta Avenue
P.O Box 3057-20100
Tel: 0512-211119

Nyeri
Sohan Plaza, 3rd floor
Kimathi Way
P.O. Box 1933 -10100
Tel: +254 (0)46 203 4981

Kisii
New Sansora Building, 2nd Floor
Town Centre Hospital Road
P.O. Box 333 - 40200
Tel: +254 (0)58 31645

Eldoret
Imperial Court Eldoret, 2nd Floor
Main Nairobi/Uganda Highway
P.O. Box 1003-30100
Tel: +254 (0)53 203 2335

Meru
Alexander House, 2nd Floor
Moi Avenue
P.O. Box 697 - 60200
Tel: +254 (0) 64 30722

Thika
Thika Arcade, 4th Floor
Kenyatta Highway, Commercial Street
P.O. Box 2209-602
Tel: +254 (0) 67 20352

Bungoma
Bungoma Business Centre,1st Floor
Moi Avenue
P.O Box 1312-50200
Tel: +254 (0)55 203 0888

UGANDA

Head Office: Kampala
Jubilee Insurance Centre, Plot 14, Parliament Avenue
P.O. Box 10234, Kampala, Uganda.
Tel: +256 414 311701 Fax: +256 414 258539
Email: jicug@jubileeuganda.com
Uganda Agency Office

Uganda Agency Offices

Jinja
Visvar mall building, Room no. 9,
Plot 54, Lubas Road,Jinja, Uganda
Tel: +256 434 122369
Email: jicug@jubileeuganda.com

Mbarara
Room no. 28, 2nd Floor,
Nakumatt Building, Mbarara
Tel: +256 485 420 116
Email: jicug@jubileeuganda.com

Mbale
Room no. 206, 2nd Floor,
Bugisu Cooperative Union Building,
Republic Street, Mbale
Tel: +256 454 431 234
Email: jicug@jubileeuganda.com

TANZANIA

Head Office: Dar es Salaam
Amani Place, Ohio Street, 4th floor
P.O. Box 20524, Dar es Salaam
Tel: +255 22 2135121 – 4
Fax: +255 22 2135116
Email: enquiry@jubileetanzania.com

Mwanza
Nyanza Co-operative Union Building
Kenyatta Road
P.O.Box 10456
Tel: +255 28 2500822
Fax: +255 28 2500238
Email: jicmwz@jubileetanzania.com

Tanzania Agency Offices

Arusha
Ground Floor, Ngorongoro Wing
AICC Building
P.O Box 1836
Tel: +255 27 205021/241
Fax: +255 27 2507341
Email: jicars@jubileetanzania.com

Mbeya
NBC (1997) Building, Ground Floor
Karume Avenue
P.O. Box 2182, Mbeya
Tel: +255 25 2503172
Fax: +255 25 2500299
Email: jicmby@jubileetanzania.com

Dodoma
ACT Building
Hatibu street/7th Avenue
P.O.Box 11027
Tel: +255 26 2320166
Fax: +255 26 2320167
Email: jicdom@jubileetanzania.com

Morogoro
Hood Property Building
Ngoto Street, Morogoro
Tel: +255 23 2613964
Fax: +255 23 2613966
Email: jicmor@jubileetanzania.com

Zanzibar
Ground floor, ZSTC Building
P.O. Box 2344, Zanzibar
Tel: +255 24 2239243
Fax: +255 28 2239242
Email: jicznz@jubileetanzania.com

BURUNDI

Head Office: Bujumbura
14 Chaussée Prince Louis Rwagasore
Boite Postale 2290, Bujumbura
Tel: +257 22275820/1
Email: jicb@jubileeburundi.com

Mauritius

Head Office: Port Louis
Mezzanine Level, One Cathedral Square
CNR Pope Hennessy & George Guilbert Streets
Port Louis,Mauritius
Tel +00230 202 2200
Fax +00230 202 2220
Email: info@jubileemauritius.com

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