Jubilee HOLDINGS

BEHIND THE SMILES

ENHANCING CUSTOMER EXPERIENCE THROUGH INNOVATION

Live Free!

INTEGRATED REPORT & FINANCIAL STATEMENTS 2017

Behind **My Smile...**

Is knowing that after my graduation my expenses as I look for a job or plan to set up a business are taken care of. High five to the **Baada Ya Campo Life Insurance Policy** by Jubilee Insurance.

Angela Ngamau
University Student

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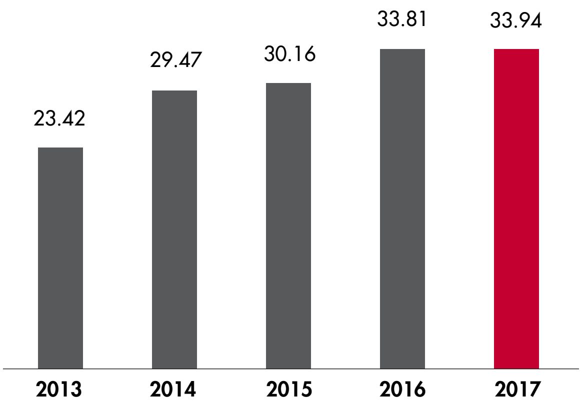
Behind **My Smile...**

Is leading a passionate, highly motivated and innovative team who make a difference in the region by putting our customers first and providing world class insurance solutions.

Dr. Julius Kipng'etich
Regional CEO

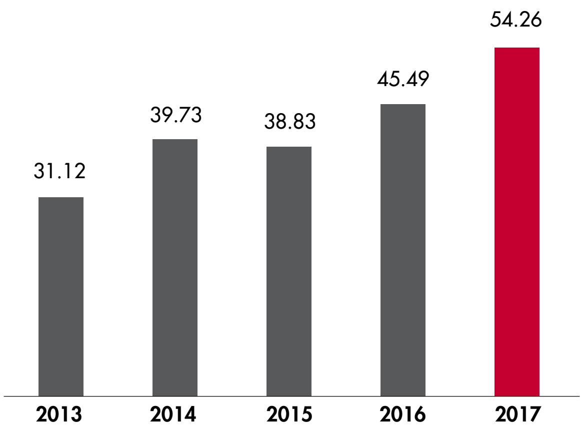
FIVE YEAR FINANCIAL HIGHLIGHTS & GROUP INFORMATION

Gross Written Premiums and Deposit Administration Contributions (KShs Billion)



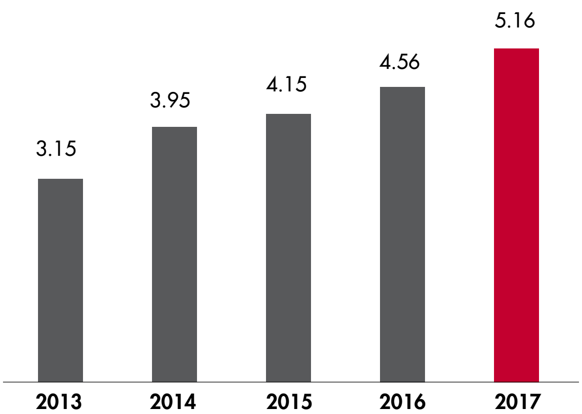
Gross Written Premiums and Deposit Administration Contributions remained at KShs 34 billion in 2017 compared to 2016. While short-term premiums dropped by 11%, long-term business recorded a 22% growth mainly in the individual life and annuity classes which grew by 11% and 585% respectively.

Earnings per Share (KShs per Share)



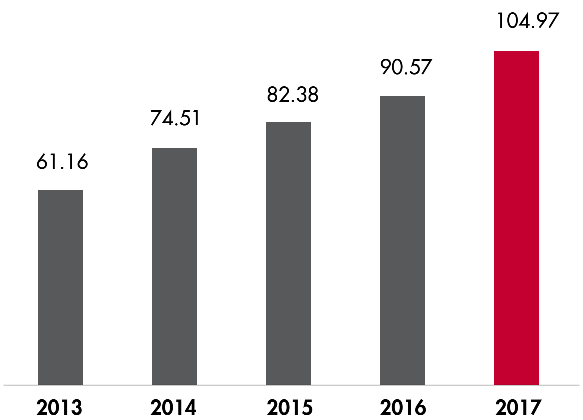
Earnings per share rose by 19% to KShs 54.26 from KShs 45.49.

Profit Before Tax (KShs Billion)



Profit before tax grew by 13% to KShs 5.16 billion in 2017 attributed to higher short-term underwriting results and investment income.

Total Assets (KShs Billion)



Total assets grew by 16% to KShs 104.97 billion mainly as a result of increased funds generated by the business and growth in investments.

Capital and reserves	2017 KShs' 000	2016 KShs' 000
Authorised Capital	450,000	350,000
Issued Capital	362,365	329,423
Paid-up Capital	362,365	329,423
Retained Earnings	19,512,980	16,352,839

Registered Office

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

Subsidiaries

The Jubilee Insurance Company of Kenya Limited (100%)
The Jubilee Insurance Company of Uganda Limited (65%)
Jubilee Life Insurance Company of Uganda Limited (65%)
The Jubilee Insurance Company of Tanzania Limited (51%)
Jubilee Life Insurance Corporation of Tanzania Limited (51%)
The Jubilee Insurance Company of Burundi S.A. (70%)
Jubilee Life 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 S.U. (100%)
Jubilee Center Burundi S.P.R.L. (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

PricewaterhouseCoopers CPA
PwC Tower
Waiyaki Way/Chiromo Road
Westlands
P. O. Box 43963 -00100
Nairobi

Corporate Lawyers

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

Share Registrar

Jubilee Holdings Limited

Principal Bankers

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

Behind **My Smile...**

Is the comfort that we are protected by Jubilee Insurance's **J-CARE,** the best health insurance cover.

Bernadette Muithya
Customer

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the 80th Annual General Meeting of the shareholders will be held at the Nairobi Serena, Kenyatta Avenue, on Thursday 31 May 2018 at 11:00 a.m. to conduct the following business:

1. To consider and, if thought fit, to adopt the audited consolidated financial statements for the year ended 31 December, 2017 together with the reports of the Chairman, Directors and Auditor thereon.

2. To confirm the payment of the interim dividend of Kshs.1.00 per share made on 6 October 2017 and approve the payment of a final dividend of Kshs. 8.00 per share to be paid on or about 25 July, 2018 to Shareholders registered as at 31 May 2018.

3. To elect the following Directors who retire by rotation in accordance with Article 86 of the Company's Articles of Association and who being eligible, offer themselves for re-election:

   a. Mr. John Metcalf
   b. Mr. Zul Abdul
   c. Mr. Lutaf Kassam

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

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

5. To approve the Directors' Remuneration Report and remuneration paid to the Directors in the year ended 31 December 2017 and authorize the Board to set the Directors' remuneration.

6. To appoint PricewaterhouseCoopers as the Auditors of the Company until the end of the next Annual General Meeting in accordance with Section 721(4) of the Companies Act, 2015 and to authorise the Directors to set their remuneration.

By Order of the Board:

Margaret Muhuni-Kipchumba
Company Secretary

13 April 2018

Notes:

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

b. To be valid, a proxy form must be duly completed by a member and should be returned to the Company by hand delivery or by post to P.O. Box 30376 - 00100 Nairobi to arrive no later than 48 hours before the meeting.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

I am pleased to introduce Jubilee Holding Limited's ("JHL"/"Jubilee") 2017 Integrated report and financial statements. Jubilee Holdings marked its 80th Anniversary on August 3rd 2017, having been founded as the first locally incorporated insurance company in Kenya in 1937. To celebrate this milestone, a number of activities were undertaken by Jubilee employees across all our markets, as outlined in more detail in the Corporate Social Responsibility section. A major initiative in 2017 was Jubilee's active support of "The Blue Company" concept, a voluntary initiative aimed at encouraging a corruption free environment in the work place. Going forward, as news of this initiative spreads more accredited "Blue" companies will continue to join this project with the long-term aspiration of working principally with such organizations that believe in the same set of values as Jubilee and other members.

During 2017, Jubilee pursued parallel strategies to develop its franchise, increase insurance penetration and build sustainable profitability in an increasingly competitive and corrupt business environment. In the short-term business segments (General and Medical insurance) the focus was on building sustainable underwriting profitability; initiatives based on improved risk selection and pricing, coupled with investment in systems and control enhancements, allowed short-term underwriting profits to increase by 83% to KShs. 1.4 billion in 2017, despite a small decline in premium levels, as steps to improve the quality of the portfolio became effective. In the Long-Term (Life insurance and Pension business) the focus was on growth and overall premiums and contributions increased by 22% in 2017 as efforts to extend distribution reach in Uganda and Tanzania and improve productivity in Kenya were executed.

Reflecting these strategies, JHL's overall Gross Written Premium, including Deposit Administration contributions, increased marginally to KShs 33.9 billion, whilst pre-tax profit grew by 13% to KShs 5.2 billion (2016 – KShs. 4.6 billion), supported by a 35% increase in insurance results to KShs. 2.7 billion (2016 – KShs. 1.97 billion), and the Group's Profit after Tax grew by 15% to KShs 4.23 billion (2016- KShs. 3.68 billion). As a result, Jubilee has maintained its position as the largest composite insurer in East Africa for the ninth consecutive year and retained the No.1 position in the short-term business in Kenya, and overall No.1 position in Uganda and in Tanzania. Jubilee continues to dominate the medical insurance platform as the largest and most efficient in the healthcare sector in East Africa.

The excellent bottom line results were achieved against the backdrop of a difficult year for the insurance industry. The protracted uncertainty linked to the political process in Kenya led to a slowdown in the economy in the second half of the year and delayed new investments in infrastructure and other major projects, and was compounded by unclear Government policy in other parts of the region, weak agriculture output due to drought, and accompanied by tightening private sector credit conditions. A significant drop in the yield curves across the region led to lower returns on fixed income securities and higher long-term insurance contract liabilities computed at a lower discount rate. Appropriate pricing of risk by industry participants continues to be weak, and the drive to gain market share by a number of competitors resulted in severe rate cutting and subsequent significant underwriting losses. Many intermediaries continue to push for higher commissions at the expense of both the insurance companies and their clients who ultimately pay for these higher costs. Jubilee has chosen to take a leadership role in the industry by ensuring realistic pricing, which resulted in your Company deciding to exit a number of major schemes, but which helped to improve the bottom line substantially.

The Group's total assets increased by 16% from KShs 90.6 billion to KShs 105 billion, reaching the US$ 1 billion mark for the first time in the history of the Group. Total shareholders' equity and reserves increased 19% from KShs 19.9 billion to KShs 23.6 billion. On the investment front, the NSE 20 turned around in the year and grew by 16.5%, resulting in significant fair value gains for the majority of insurance companies. Jubilee participated in these gains as it continues to hold quoted securities in a broadly diversified and conservative portfolio of investments which also includes government bonds, real estate, unquoted securities and projects that generate US dollar returns.

EAST AFRICA'S ECONOMY

The East African regional economy grew unevenly in 2017. In Q3 2017, GDP growth in Kenya slowed to 4.4% whilst at the same time showed stronger growth in Uganda of 7.5%, Tanzania's official growth rate was 6.8%. However there appears to be poor business sentiment, an overall decline in the insurance and real estate sectors and increasing non-performing loan ratios reported by the banking sector. In this context, all countries were able to bring down inflation and central bank lending rates that led to significantly lower interest rates and investment returns from both Government bonds and bank fixed deposits.

INSURANCE INDUSTRY

Preliminary data shows that the insurance industry in Kenya grew by 2% in non-life (short-term business) and 14% in life (long-term) business. Uganda recorded much stronger growth of 11% for non-life and 28% in life, while Tanzania's non-life sector may have declined by as much as 10%, although life grew by 7%. While the regional market continues to have great growth potential, particularly Tanzania and Uganda with a current insurance penetration of less than 1% each, the market continues to face numerous challenges including a highly fragmented distribution system, high levels of risk and unprecedented incidence of fraud, scarcity of qualified human resources and increasing competition in already crowded markets. These challenges are partly mitigated as insurance regulators continue to work with the industry to introduce regulations that allow greater clarity in areas such a credit control, reinsurance, Bancassurance and capital adequacy supervision. Bancassurance, already well established in Kenya, continues to be a significant growth area for JHL across East Africa as regulations are developed where Jubilee has relations with some of the strongest banks in the region.

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

DIVIDEND

I am pleased to report that the Jubilee Holdings Board has recommended a cash dividend of 180% for the year 2017 (2016: 170%), on the share capital of KShs 362.4 million. An interim dividend of 20% (KShs 1.00 per share) was paid on 6th October 2017, and the Board is seeking approval for a final cash dividend of KShs 8.00 per share.

Jubilee share price closed 2017 at KShs 499, appreciating slightly in the year, showing the investor confidence that JHL continues to enjoy. Since listing in 1984, JHL has always declared dividends and has never declared a lower dividend than the previous year.

FINANCIAL RESULTS

The Gross Written Premium, including Deposit Administration contributions, grew slightly to KShs 33.94 billion, and Pre-tax profit grew by 13.1% to KShs 5.16 billion, supported by a 34.8% increase in insurance results to KShs. 2.68 billion, and the Group's Profit after Tax grew by 15.1% to KShs 4.23 billion. Earnings per Share grew 19.3% to KShs 54.26 per share from KShs 45.49 in 2016.

MEDICAL INSURANCE

Medical insurance business premiums declined 17% to KShs 9.6 billion (2016 – KShs 11.6 billion) as the Kenyan company took an active decision to drop or re-price loss making schemes at renewal. This, together with a focus on several initiatives to reduce costs and improve efficiency, resulted in underwriting profit increasing by 478% to KShs 878 million (2016 – KShs 152 million).

These initiatives included a comprehensive review of systems and operations led by the Jubilee Process Excellence Team, implementing enhanced IT controls to reduce fraud, re-engaging with all our key provider partners to find new and innovative ways to better manage pharmaceutical costs, consulting fees, lab test fees and bed charges, etc. which continue to be driven by increasing medical inflation. Jubilee also led the industry and made substantial investments in the development of the transmission of claims electronically from the providers to the insurance companies, wider use of biometric identification cards, and enhanced customer service through digital access to information for corporate clients and their employees through the "JubiCare" mobile App. These initiatives will be further developed in 2018 and rolled out to benefit our clients and growing medical business in Uganda and Tanzania. We also continue to educate both medical practitioners and members to substantially increase the use of affordable, high quality and equally effective generic drugs as opposed to branded versions which unnecessarily consumes a very large portion of the medical budget. In many developed countries, generic drugs represent over 80% (USA 87%) of the cost of drugs dispensed whereas in Kenya, where the ratio should be considerably higher, the ratio is estimated to be astoundingly at best at around 50%.

GENERAL INSURANCE

General insurance premiums declined by 3% in 2017 to reach KShs 10.7 billion (2016 - 11 billion), largely due to the weak economic environment cited earlier, particularly in Tanzania, where growth was also hit by regulations making it compulsory for Government entities to insure with the State insurance company. In addition, there were delays in the launch of several large infrastructure projects throughout the region. Against this background, Jubilee was able to report an underwriting profit at KShs 534 million (2016 – KShs 618 million) and a combined ratio at 91%, despite several large claims during the year and continued pressure on rates from our competitors, which are unsustainable and over time will result in deterioration of the quality and provision of adequate service.

LIFE INSURANCE AND PENSION

Life insurance business Gross Written Premium and Deposit Administration inflows registered a growth of 22% to KShs 13.7 billion (2016 – KShs 11.2 billion) supported by growth in individual life and pensions across the region resulting from continued efforts to build stronger distribution channels led by premium growth of 26% in Tanzania and 47% in Uganda.

CORPORATE SOCIAL RESPONSIBILITY

During the year under review, Jubilee Insurance celebrated its 80th year, and continued to commit increased resources towards key Corporate Social Responsibility (CSR) initiatives that go towards supporting critical needs of the local communities, in supporting those challenged in hearing, sight or use of limbs through partnerships with like-minded organizations, as well as implementing its trademark CSR projects. Jubilee Insurance continued the partnership of its staff participating in key impacting projects including the Jubilee Insurance Children's Fund. Jubilee Holdings celebrated its 80th Anniversary through a number of activities undertaken by the staff including the Live Free painting competition which resulted in the awarding of full secondary school scholarships to 33 pupils and sports equipment and a range of books were presented to their schools. The painting competition targeted primary school children aged from 6-14 years with the aim to providing these pupils an opportunity to share their vision on what living free meant to them in the form of art. Over 270 schools in 39 Counties participated in the project in Kenya which was replicated in various forms across Uganda, Tanzania and Mauritius.

We also partnered with private and public institutions for medical initiatives set to impact needy children and young adults. In conjunction with the Kenya Society for the Blind, we facilitated free eye screening, medication and spectacles and will further enable corrective surgery to children with visual impairment in public schools. We also collaborated with Operation Ear Drop Kenya to provide free ear surgeries to patients with auditory complications with a bias towards children. In partnership with the Jaipur Foot Trust we provided prosthetic limbs to under-privileged children and young adults living with disabilities.

At the heart of this effort is Jubilee's vision and belief that our success over the past 80 years has been tied to our relentless efforts to give back to the community to which we belong. We recognize that success not only involves improving ourselves, but also the lives of other people, which is why we undertake these initiatives and partner with institutions to impact the community positively.

SIGNATORY TO THE UNITED NATIONS GLOBAL COMPACT

During 2017, JHL enlisted as a signatory to the UN Global Compact. I am pleased to confirm that Jubilee reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption. Within this Integrated report we highlight some of the actions we have taken to integrate these principles within our organization.

MARKET PRESENCE AND RECOGNITION

Jubilee Insurance Kenya met the requirements for recertification under the ISO 9001:2015 standard marking a transition from the former ISO 9001:2008 standard that the company had maintained for over a decade. The company is among the first insurance companies in Kenya to transition to this latest ISO global standard which provides confidence to all stakeholders on the quality of its management systems.

Jubilee was very pleased to be recognized by the business community and insurance industry for the excellence of our business practices by winning several awards. During the year 2017, Jubilee scooped 18 awards in total. Our major awards are listed on page 112 of this Integrated Report.

OUTLOOK

Economic prospects for 2018 remain strong with a settled political environment, recovery in the agriculture sector, and improved visibility in the timing of investments in the oil sector and major infrastructure projects. The regional economy is expected to grow at around 6% in 2018, however, in the medium to long term there remains uncertainty due to growing concerns around the rapid rate of borrowing by the national governments, increasing annual debt service burden, and the crowding out of private sector borrowing resulting in reduced availability of credit to SMEs that are the driving force of economic growth and employment in both the formal and informal sectors and important growth areas for the insurance industry.

We continue to be optimistic as we focus on our strategic goals to ensure that Jubilee continues to perform strongly in 2018 and generate sustainable and stable returns for our shareholders. We will continue to focus on appropriate risk selection and best management practices so as to balance our entrepreneurial approach to business opportunities whilst protecting profitability. Key strategic initiatives for 2018 include completion of enhanced IT infrastructure and systems, increased presence in the emerging digital economy, deployment of sustainable medical insurance model and processes across the region, holistic operational and process reengineering, product innovation and continued development of agency and Bancassurance networks to drive our revenue.

BOARD OF DIRECTORS

The Directors who held office in 2017 are listed on pages 16 to 18 of this report. As we continue to expand our horizons, the Board continues to reflect your Company's regional and growth related outlook, while drawing from the Company's Vision, Mission and Values which continue to steer your Company.

APPRECIATION

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

I also thank all our staff across the region who continue to show dedication and provide superior service to our customers. I would also like to acknowledge with appreciation my colleagues in the Board and those on the Boards of the subsidiaries for their diligence, guidance and support that has ensured that we achieve superior and excellent results during the year. It is this dedicated and loyal support that has enabled the company to become the largest insurance Group in East Africa, whose sustained growth over the decades and reputation as the most trusted insurer in the region has been built on our solid values and unyielding ethical practices, a strong and growing balance sheet and a commitment to fair settlement of claims. We are indeed very proud of these accomplishments and strive to continue to build on this solid foundation.

Nizar Juma
Chairman

13 April 2018

Behind **My Smile...**

Is working for and with the great brand that is Jubilee Insurance, knowing that our customers trust us and we always deliver on our promise to them.

Denis Huyberechts
CEO Jubilee Insurance Burundi

BOARD OF DIRECTORS

John Metcalf

Jane Mwangi

Lutaf Kassam

Sultan Allana

Nizar Juma
CHAIRMAN

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

Juma Kisaame

Shabir Abji

Margaret Kipchumba
COMPANY SECRETARY

Zul Abdul

Moez Jamal

- Board IT Committee
- Board Property Committee

Mr. Nizar Juma (74) Chairman

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

Mr. Sultan Ali Allana (58) Non-Executive Director

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

Mr. Lutaf Kassam (64) Non-Executive Director

Mr. Kassam joined the Board in April 2006 and chairs its Finance Committee. Mr. Kassam, a member of the AKFED Executive Committee, is responsible for AKFED's global portfolio on Industry and Infrastructure. He is also a Director on the Board of Kenya Association of Manufacturers, the East African Business Council (EABC), and a Member of the Presidential Investors' Round Table (Advisory Board to President Museveni), an advisory Board Member of the Sustainable Energy for All (SE4ALL) initiative under The UN Secretary-General and the World Bank Group, past First Vice Chairman of the Nairobi Stock Exchange (NSE) and a member of the National Economic and Social Council (NESC) in Kenya. Mr. Kassam is the Chairman of the Board Finance Committee and a member of the Board Property Committee.

Mrs. Jane Mwangi (54) Non-Executive & Independent Director.

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

Mr. John Metcalf (58) Non-Executive Director

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

Mr. Juma Kisaame (54) Non-Executive Director

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

Mr. Shabir Abji (59) Non-Executive & Independent Director

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

Mrs. Margaret Kipchumba (44) Company Secretary

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

Mr. Zul Abdul (65) Non-Executive & Independent Director

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

Mr. Moez Jamal (62) - Non Executive & Independent Director

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

CORPORATE GOVERNANCE STATEMENT

The Company views the application of good corporate governance practices as fundamentally key to achieving a healthy and sustainable return on investment for its shareholders while fulfilling its social mandate to improve the quality of life for all stakeholders. The Directors therefore remain committed to maintaining the highest standards of good corporate governance in all jurisdictions the Company operates in for the benefit of all stakeholders.

The Company has adopted the Capital Markets Authority Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 ("Code"). The Code sets out the principles and specific recommendations on structures and processes which companies should implement in making good corporate governance an integral part of their business dealings and culture. In keeping with the Code, a governance audit for the financial year ended 31 December 2017 was undertaken by an independent accredited Governance Auditor to assess the level of application of good governance practices in the Company. The reporting template for disclosing the extent to which the Company has implemented the Code is available on the Company's website www.jubileeinsurance.com. The Board is working towards full application of the Code and this forms part of the efforts to continually improve governance practices.

Based on the overall performance of the Company and from an aggregate perspective, it is the view of the Governance Auditor that the adequacy and effectiveness of the Company's policies, systems, practices and processes were within the legal and regulatory framework and in line with global best practices on corporate governance.

In recognition of the Group's commitment to financial and corporate governance reporting, the Group's insurance subsidiaries in Kenya and Uganda were awarded the Winners and 1st Runners Up positions (Insurance Category) in the 2017 Fire Awards in Kenya and Uganda respectively, while the Tanzanian insurance subsidiary was awarded the Insurance Company of the Year in the 2017 Tanzania Leadership Awards.

BOARD OF DIRECTORS

Composition of the Board

The Company is led by an effective Board that provides strategic direction and oversight over Management and ensures that Management is creating value for stakeholders.

The Board currently comprises nine (9) Directors all of whom are non-executive. Four (4) Directors are independent. In determining the independence status of a Director, the Company has used the criteria set out in the Code. Each Director's profile is given on page 18 of this Integrated Report and highlights, amongst others, the Directors' qualifications, other key board memberships and their independence status. Notwithstanding a Director's non-executive and/or independence status on the Board, all Directors recognize that they are collectively responsible to the shareholders and stakeholders for the viable long-term sustainability of the Company. There are no alternate or shadow Directors on the Board.

Appointments to the Board

All new appointments to the Board are coordinated by the Board Nominating and Human Resource Committee (BNHRC) which is mandated to evaluate all candidates nominated for directorship and make recommendations to the Board. In accordance with the Articles of Association, any new Directors appointed by the Board are required to retire at the next Annual General Meeting following their appointment and are eligible to offer themselves for re-election by shareholders.

Also, in accordance with the Articles of Association, at the Annual General Meeting in every year, at least one third of the Directors retire by rotation and are eligible to seek re-election. In determining the Directors retiring by rotation, consideration is given to those who have been in office longest since their last election. The Directors retiring by rotation are listed in the Notice of the AGM on page 8.

No new Directors were appointed during the year under review.

Induction of New Board Members

Newly appointed directors undergo a comprehensive, formal and tailor made induction programme to ensure their effective contribution on the Board and Committees. The induction amongst others, covers the nature of the Group's business, Group organizational structure, Board and Committee mandates, financial performance review over the previous financial periods as well as the role, duties and responsibilities expected of the Directors. The Directors receive an induction pack which comprises the Memorandum and Articles of Association, Board Charter and Directors' Code of Ethics, Committee Terms of Reference and minutes from previous Board meetings. The induction process is coordinated by the Chairman, the Group Chief Executive Officer and the Company Secretary. All Directors are required to receive continuing training to add to their effectiveness in the discharge of their responsibilities on the Board.

Role of the Board

The Board's primary responsibility is that of fostering the long-term business of the Company consistent with its fiduciary responsibility to the shareholders. The responsibilities of the Board are articulated in the Board Charter while the conduct of Board members is governed by the Directors' Code of Ethics and Conduct. Both documents are available on the Company's website, www.jubileeinsurance.com. The responsibilities imposed by these documents are in addition to those imposed by legislation and regulations applicable to the Company.

During the year under review the Board met in each quarter to monitor business performance and agree the budget for the current year. Four (4) Board meetings were held during the year and the record of attendance is set out below:

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

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

Senior Management including the Group Chief Executive Officer, the Group Finance Officer and any other officer as may be required, attend Board Meetings by invitation to ensure informed and efficient decision-making by the Board of Directors. In addition, the Board invites independent professionals to attend meetings and provide opinions and advice as necessary.

SEPARATION OF THE ROLE OF THE CHAIRMAN AND GROUP CHIEF EXECUTIVE OFFICER (GCEO)

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

BOARD COMMITTEES

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

Board Audit & Compliance Committee:

The mandate of the BACC is, broadly speaking, in the following five areas where the key responsibilities include the following:

Financial Reporting & Financial Control

- To be informed, vigilant and effective overseers of the financial reporting process, governance process, internal controls, compliance and risk management issues in the Group;
- To ensure that the Company's financial statements comply with applicable financial reporting standards;
- To review the quarterly, half-yearly and year-end financial statements of the Company focusing on:

  (i) Any changes in accounting policies and practices;
  (ii) Significant adjustments arising from the audit;
  (iii) The going concern assumption; and
  (iv) Compliance with IAS and other legal requirements.

External Auditors & External Audit

- To consider the appointment of the Company's external auditors, the audit fee and any questions on resignation or dismissal of such external auditors;
- To discuss with the external auditor before the audit commences the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- To discuss problems and reservations arising from the interim, final and any other special audits within the Group, and any matters the external auditors may wish to discuss (in the absence of management where necessary);
- To review the external auditors' Management Letters and management's responses and review Representational Letters;
- To evaluate any factors related to the independence of the Company's external auditors and assist the external auditors in preserving their independence.

Internal Audit	Risk Management
• Review of the adequacy, scope, functions and resources of the internal audit function, and ensure that it has the necessary independence and authority to carry out its work; • Review the internal audit program and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function; • Review any appraisal or assessment of the performance of members of the internal audit function; • Approve any appointment or termination of senior staff members of the internal audit function; • Ensure that the internal audit function is independent of the activities of the Company and is performed with impartiality, proficiency and due professional care; • Determine the effectiveness of the internal audit function; • Be informed of resignations of internal audit staff and provide the resigning staff members an opportunity to submit reasons for resigning; • Review the work and reports of the internal audit function and report to the Board on the co-ordination between the internal and external auditors, staffing of the function, its programme of work, its reporting procedures, the implementation of its recommendations and its standing within the Group; • Consider major findings of internal investigations and management's responses; and • Review and approve on an annual basis the Internal Audit Work Plan and budget to ensure independence of the internal audit function.	• To review any risk management issues within the Group; • To monitor matters relating to frauds, conflict of interests, abuse of office, receive and address any whistle blowing reports within the Group and ensure controls are implemented to minimize fraud instance. **Compliance** • Monitor compliance with all legal, regulatory and policy requirements relating to the Company and recommend necessary action to address cases of non-compliance. • Review and make recommendations on management programs established to monitor compliance with the code of conduct.

The Members of the Committee are Mr. Zul Abdul (Chairman), Mr. Juma Kisaame and Mr. John Metcalf. Their profiles are highlighted on page 18.

Board Nominating and Human Resource Committee:

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

The members are Mrs. Jane Mwangi (Chairperson), Mr. Nizar Juma and Mr. John Metcalf. Their profiles are highlighted on page 18.

Board Finance Committee:

The Committee reviews the financial and investment business of the Company, and provides guidelines and limits for investment of the Company's funds.

The members are Mr. Lutaf Kassam (Chairman); Mr. John Metcalf, Mr. Shabir Abji and Mr. Moez Jamal. Their profiles are highlighted on page 18.

Board Information Technology Committee:

The Committee is responsible to oversee and monitor the IT strategy and roadmap formulation, IT investment proposals and review IT investments such as new systems recommendations from a technical and operational perspective.

The members are Mr. Shabir Abji (Chairman), Mr. John Metcalf and Mr. Juma Kisaame. Their profiles are highlighted on page 18.

Board Property Committee:

The Committee deals with the Company's property portfolio and makes recommendations to the Board.

The members are Mr. Nizar Juma (Chairman), Mr. Lutaf Kassam and Mr. Zul Abdul. Their profiles are highlighted on page 18.

REMUNERATION POLICIES

Directors:

The particulars of the Directors' remuneration are given in the Directors' Remuneration Report on page 26.

Senior Management:

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

CONFLICT OF INTEREST

The Group ensures that the governance framework not only monitors compliance with legislation and regulations but also monitors the ethical climate within the organization. Towards this end, all employees' upon joining the Company and on an annual basis are required to sign up to the Code of Conduct and Ethics which aims to encourage honest and ethical business conduct. The Board has also adopted a Directors' Code of Ethics and Conduct. One of the key principles underlying ethical business conduct is the avoidance and disclosure of conflict of interest. Conflict of interest refers to a situation where an employee's or Director's private interest or that of a family member or associated institution interferes or appears to interfere with the interests of the Company. Directors are under statutory obligation to avoid a situation in which the Director has, or can have, a direct or indirect interest that conflicts, or may conflict, with the interests of the Company.

Where the conflict is inevitable, an employee is required to notify the Chief Executive Officer while a Director is required to notify the Chairman of the Board as promptly as practicable and absent himself/herself from any discussion or decision by the Board that relates to the matter giving rise to the conflict.

INSIDER TRADING POLICY

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

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

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

FRAUD AWARENESS & WHISTLE BLOWING POLICY

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

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

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

TRAINING AND DEVELOPMENT

The Company realizes the need for continuous professional development of staff members. To this end, the Board in each year approves a training budget to enable the team regularly up-skill and keep with the times in the dynamic environment.

BOARD EVALUATION

There are plans to subject the Board to an independent Board evaluation during the year 2018 in accordance to the requirements of the Code. This exercise will help to identify the areas of development to equip the Board and enable it to better steer the Company.

Behind **My Smile...**

As a member of the board of directors is seeing Jubilee Insurance making great strides by disrupting what has been the norm in the insurance industry and cementing its place as East Africa's number one insurer.

Jane Mwangi
Board Member and Advocate of the High Court of Kenya

DIRECTORS' REMUNERATION REPORT, PRINCIPAL SHAREHOLDERS AND SHARE DISTRIBUTION & SUSTAINABILITY JOURNEY

We are pleased to present the Directors' Remuneration Report for the year ended 31 December 2017 which is in line with the Companies Act, 2015 and the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015, issued by the Capital Markets Authority.

Director Remuneration Policy

The Board has established a policy to ensure that the remuneration of Directors is formal, transparent and approved by Shareholders in a General Meeting. The Board has mandated the Board Nominating & Human Resource Committee (BNHRC) to, inter alia, review the remuneration of non-executive Directors and recommend changes from time to time. In considering the remuneration of non-executive Directors, the BNHRC considers amongst others, the business strategy and long-term objectives of the Company.

During the year under review, all Directors served on a non-executive basis. In recognition of their service to the Company, the non-executive Directors are paid fees and sitting allowances for attending Board and Committee meetings. Both the fees and sitting allowances are paid on a quarterly basis. The non-executive Directors are not covered by the Company's incentive programmes nor do they receive performance-based remuneration. No pension contributions are payable on their fees and no Director is entitled to any compensation at the end of their tenure. The Company reimburses travel and accommodation expenses related to attendance at Board and Committee meetings. During the year under review, no loans were advanced to any of the Directors.

The aggregate amount of emoluments received by the Directors during the year under review was KShs. 3,745,000 (2016: KShs. 3,490,622) and is shown on page 69 under note 10 (iii).

The fees and sitting allowance paid to the each Director for the year ended 31 December 2017 together with the comparative figures for 2016 are given in the following tables.

Year ended 31 December 2017	**Directors Fees KShs. 000**	**Sitting Allowance KShs. 000**	**Bonuses KShs. 000**	**Expense allowances KShs. 000**	**Total KShs. 000**
Mr. Nizar Juma*	-	-	-	-	-
Mr. Sultan Allana*	-	-	-	-	-
Mr. Lutaf Kassam**	540,000	120,000	-	-	660,000
Mr. Juma Kisaame	540,000	140,000	-	-	680,000
Mr. John Metcalf*	-	-	-	-	-
Mr. Shabir Abji	540,000	180,000	-	-	720,000
Mrs. Jane Mwangi	360,000	120,000	-	-	480,000
Mr. Moez Jamal	360,000	160,000	-	-	520,000
Mr. Zul Abdul	585,000	100,000	-	-	685,000
	2,925,000	**820,000**	**-**	**-**	**3,745,000**

* Fees Waived

** Fees paid to his employer

Year ended 31 December 2016	**Directors Fees KShs. 000**	**Sitting Allowance KShs. 000**	**Bonuses KShs. 000**	**Expense allowances KShs. 000**	**Total KShs. 000**
Mr. Nizar Juma*	-	-	-	-	-
Mr. Sultan Allana*	-	-	-	-	-
Mr. Lutaf Kassam**	540,000	160,000	-	-	700,000
Mr. Juma Kisaame	540,000	200,000	-	-	740,000
Mr. John Metcalf*	-	-	-	-	-
Mr. Shabir Abji	285,622	80,000	-	-	365,622
Mrs. Jane Mwangi	360,000	80,000	-	-	440,000
Mr. Moez Jamal	360,000	140,000	-	-	500,000
Mr. Zul Abdul	360,000	160,000	-	-	520,000
Dr. Ramadhani Dau***	45,000	-	-	-	45,000
Mr. Sultan Khimji ***	180,000	-	-	-	180,000
	2,670,622	**820,000**	**-**	**-**	**3,490,622**

* Fees Waived

** Fees paid to his employer

*** Dr. Dau & Mr. Khimji retired from the Board on 30th May 2016

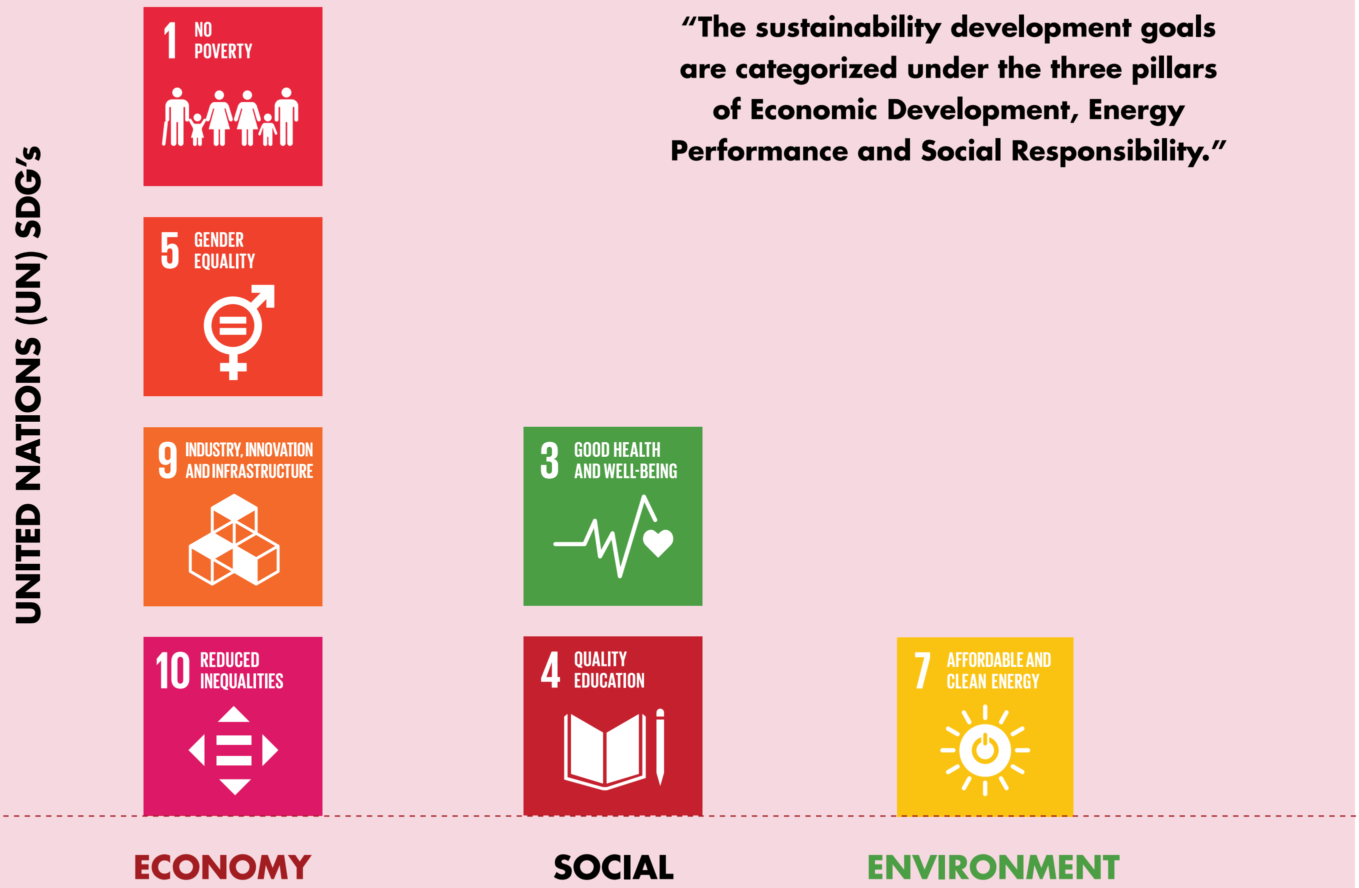
Jane Mwangi
Chairperson of the BNHRC

SUSTAINABILITY JOURNEY

SUSTAINABILITY STRATEGY AND PROFILE

Jubilee Holdings aims to build strong partnerships and relationships with its stakeholders and the community through engaging in sustainable business activities and its Corporate Social Responsibility (CSR) programs.

"The sustainability development goals are categorized under the three pillars of Economic Development, Energy Performance and Social Responsibility."

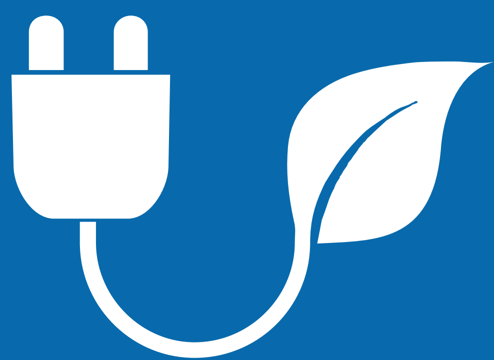


ENERGY PERFORMANCE

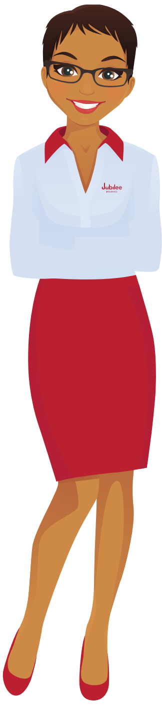
Jubilee Insurance reduced its power consumption in its Kenya facilities by about

72,358 kWh

within the year 2017 which resulted in a 7% saving in our energy cost and the resultant saving in cash was KShs. 5.4 million.



ECONOMIC DEVELOPMENT



Hi I am JULIE.

Jubilee Insurance Live Intelligent Expert, the first ever Chat bot in the Insurance Industry in East Africa.

Offering key benefits: Instant Response to customer queries, Improved User Experience in sales and service online.

TOTAL STAFF COUNT 1,017

45% ARE WOMEN

OVER 6,600

INTERMEDIARIES, AGENTS, SUPPLIERS, LAWYERS, DOCTORS, GARAGES, ASSESSORS, SURVEYORS

NUMBER OF LIVES INSURED ARE OVER 1.9M

68% BEING LONG TERM CLIENTS

SOCIAL RESPONSIBILITY

Jubilee Insurance's CSR initiatives are guided by our CSR Pillars which are; Education, Health and Social Action. The CSR program strengthens the social and economic status of the society and communities in which we operate.

EDUCATION

- Live Free Painting Primary School Competition (KE, UG, TZ) 33 Pupils awarded secondary school scholarships.
- Promoting quality education through the Aga Khan Education Services academic scholarships.

HEALTH

- **Freedom to focus:** Over 2,000 Primary School children screened in 10 counties; 1,574 beneficiaries treated in different ways.
- **Breaking the Silence:** We've facilitated ear surgeries for 25 beneficiaries. The project is still on going.
- **Freedom to be independent:** We have so far facilitated the fitting of 54 limbs enabling beneficiaries live free of stigma.

SOCIAL ACTION

- Renovation of classrooms and cloak rooms in 5 schools in Tanzania; Morogoro, Dodoma, Dar es Salaam, Zanzibar and Mbeya.
- Provision of 2 houses for teachers in a school in Bukoba Town, Tanzania.

Distribution of Shareholders as at 31 December 2017

Number of shares	Number of shareholders	Number of shares held	% Shareholding
Less than 500 shares	1,797	272,857	0.38%
500 – 5,000 shares	3,216	6,518,489	8.99%
5,001 – 10,000 shares	756	5,222,979	7.21%
10,001 – 100,000 shares	572	14,142,539	19.51%
100,001 – 1,000,000 shares	38	7,291,010	10.06%
Over 1,000,000 shares	5	39,025,076	53.85%
Total	**6,384**	**72,472,950**	**100.00%**

List of 10 largest Shareholders as at 31 December 2017

	Names	Number of shares held	% Shareholding
1	Aga Khan Fund for Economic Development	27,528,739	37.98%
2	Pyrus Investments Limited	7,469,980	10.31%
3	Freight Forwarders Kenya Limited	1,416,580	1.95%
4	United Housing Estates Limited	1,314,947	1.81%
5	Adam's Brown and Co. Limited	1,294,830	1.79%
6	Standard Chartered Kenya Nominees Ltd KE18972	904,754	1.25%
7	Aunali Fidahussein Rajabali & Sajjad Fidahussein Rajabali	690,000	0.95%
8	Gulshan Noorali Sayani	362,507	0.50%
9	Gulzar Shamshudeen Somji	250,151	0.35%
10	Gulbanu Akbarali Gulamhusein Nanji	237,710	0.33%
	Total	**41,470,198**	**57.22%**

Directors' interest in the shares of the Company as at 31 December 2017

Name	Number of shares held	% Shareholding
Mr Nizar Juma	9,446	0.01%

Behind **My Smile...**

I have just located a Jubilee Insurance medical provider and booked an appointment, viewed my cover online at the touch of a button. Thumbs up to the **Jubicare Mobile App.**

Washington Mbusya
Staff, Kenya

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2017 which disclose the state of affairs of Jubilee Holdings Limited (the "Company") and its subsidiary companies (together the "Group").

BUSINESS REVIEW

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, provides a wide range of property, liability, health and life insurance, and retirement products, and related services to customers in Kenya, Uganda, Tanzania, Burundi and Mauritius. It also owns investment companies in Kenya, Uganda, Tanzania and Burundi.

Results

The following is the summary of the results for the year ended 31 December 2017

	2017	**2016**
Profit analysis	**KShs'000**	**KShs'000**
Group profit before income tax	5,160,970	4,562,705
Income tax expense	(930,660)	(886,758)
Group profit after income tax	**4,230,310**	**3,675,947**
Non-controlling interest	(298,168)	(379,322)
Profit attributable to equityholders of the company	**3,932,142**	**3,296,625**

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

Risk Management

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

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

DIVIDEND

An interim dividend of KShs 1.00 per share amounting to KShs 72.473 million (2016: KShs 65.885 million) was paid on 6 October 2017. The Directors recommend a final dividend of KShs 8.00 per share amounting to KShs 579.784 million (2016: KShs 494.133 million). The total dividend for the year represents 180% of the issued share capital as at 31 December 2017 (2016: 170%).

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 *
Juma Kisaame**
Lutaf R Kassam
Shabir Abji***
John J Metcalf ****
Jane S Mwangi
Moez Jamal ****
Zul Abdul

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

AUDITORS

Disclosure to Auditors

The directors confirm that with respect to each director at the time of approval of this report:

- there was, as far as each director is aware, no relevant audit information of which the company's auditor is unaware; and
- each director had taken all steps that ought to have been taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information

Terms of Appointment of Auditors

PricewaterhouseCoopers were appointed during the year and continue in office in accordance with the Company's Articles of Association and Section 721 of the Kenyan Companies Act, 2015.

The directors monitor the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract and the associated fees on behalf of the shareholders

On behalf of the Board

Nizar Juma
Chairman

13 April 2018

Behind **My Smile...**

Is knowing that my dream of owning a house in the next five years will come true. Thanks to the **Fanaka Plan** by Jubilee Insurance.

Neema Mwende
Staff

STATEMENT OF DIRECTORS' RESPONSIBILITIES & AUDITOR'S REPORT

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and Company at the end of the financial year and their financial performance for the year then ended. The directors are responsible for ensuring that the Group and Company keep proper accounting records that are sufficient to show and explain the transactions of the Group and Company; disclose with reasonable accuracy at any time the financial position of the company; and that enables them to prepare financial statements of the Group and Company that comply with prescribed financial reporting standards and the requirements of the Kenyan Companies Act, 2015. They are also responsible for safeguarding the assets of the Group and Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

- Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- selecting suitable accounting policies and then apply them consistently; and
- Making judgements and accounting estimates that are reasonable in the circumstances

In preparing the financial statements, the directors have assessed the Group and Company's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the directors to indicate that the Group and Company will not remain a going concern for at least the next twelve months from the date of this statement.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.
Approved by the Board of Directors on 13 April 2018 and signed on its behalf by:

Nizar N Juma
Chairman

Zul Abdul
Director

pwc

Report on the financial statements

Opinion

We have audited the accompanying separate financial statements of Jubilee Holdings Limited (the Company) and the consolidated financial statements of the Company and its subsidiaries (together, the Group) set out on pages 42 to 108, which each comprise a statement of financial position at 31 December 2017 and statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company at 31 December 2017 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matter	***How our audit addressed the matter***
Valuation of insurance contract liabilities The valuation of insurance contract liabilities involves a high degree of subjectivity and complexity. At 31 December 2017 the Group's insurance contract liabilities were KShs 24,983 million. Among the most significant reserving assumptions for the short term business are the determination of the reserve for claims incurred by not reported ("IBNR") and the ultimate cost of notified claims. In the case of the long term business, the Group's valuation of liabilities involves the selection of appropriate assumptions with respect to mortality, morbidity, lapses and interest rates. The methodology and methods used can have a material impact on the valuation of insurance contract liabilities. The valuation of insurance contract liabilities was considered a key audit matter due to the significance of the liabilities to the financial statements and the judgments involved in determining them. Further details of the liabilities are set out in Notes 4 and 26 to the financial statements.	We performed, among others, the following procedures: • Testing the design and operating effectiveness of the Group's controls over the valuation of insurance contract liabilities. • Testing the accuracy of the data utilized by the Group's actuaries in the valuation computations, against information contained in the accounting and administration systems • Involving PwC's internal actuarial specialists to perform a review of the methodology and assumptions used by the Group's statutory actuaries to compute the reserve for IBNR and the long term insurance contract liabilities. The actuaries also compared the valuation methods used against generally accepted actuarial practices. • Testing the sufficiency of insurance contract liabilities for the short term business, by performing independent projections of the reserves based on historical trends. • Comparing for a sample of claims, amounts reported in the claims systems to source documents. • Comparing the claims IBNR reserve and the provision for long term insurance contract liabilities to the reports of the independent statutory actuary.

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Key audit matters (continued)

Key audit matter	***How our audit addressed the matter***
Valuation of unquoted investments The Group has applied valuation techniques to determine the fair value of unquoted equity investments. These valuation techniques utilize significant unobservable inputs. A change to the techniques or assumptions used in the valuation could produce significantly different valuation outcomes. Due to their significance to the financial statements and the judgments involved, the valuation of unquoted equity investments was considered to be a key audit matter. Further details on the Group's unquoted investments are set out in Note 17.	We performed, among others, the following procedures: • Testing the design and operating effectiveness of the Group's controls over the valuation of unquoted investments • Obtained an understanding of valuation techniques used by management and compared them to generally accepted valuation practices • Comparing the key inputs and assumptions in the valuation workings to supporting documentation including independently obtained data. Where inputs included forecast financial information, we compared the forecasts to historical financial information. • Tested the mathematical accuracy of the valuation workings

Other information

The directors are responsible for the other information. The other information comprises the information included in the integrated report but does not include the financial statements and auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on other matters prescribed by the Kenyan Companies Act, 2015

Report of the directors

In our opinion the information given in the directors' report on pages 32 to 33 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on page 26 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Bernice Kimacia – Practising Certificate No. 1457.

Certified Public Accountants
Nairobi

13 April 2018

Behind **My Smile...**

Is having total peace of mind knowing that I am covered. Thanks to Jubilee Insurance, I Live Free!

Purity Kanario
Customer

FINANCIALS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 KShs '000	2016 KShs '000
Gross Written Premium		**26,940,991**	**27,839,325**
Gross earned premium revenue	6	28,328,848	26,907,645
Outward reinsurance	6	(9,134,984)	(9,326,416)
Net insurance premium revenue		**19,193,864**	**17,581,229**
Investment and other income	7 (i)	7,162,008	6,689,192
Net fair value gain/(loss) on financial assets at fair value through profit or loss	7 (ii)	2,700,471	(1,612,126)
Commission income	8	1,803,453	2,034,115
Fee income	27	413,352	287,579
Total income		**31,273,148**	**24,979,989**
Claims and policy holders benefits expense	9	(25,127,276)	(20,206,865)
Claims recoverable from re-insurers	9	5,473,380	5,965,207
Net insurance benefits and claims		**(19,653,896)**	**(14,241,658)**
Operating and other expenses	10 (i)	(4,240,091)	(4,220,837)
Commission expense	8	(3,400,893)	(3,385,541)
Total expenses and commissions		**(7,640,984)**	**(7,606,378)**
Result of operating activities		**3,978,268**	**3,131,953**
Share of associates profit	15 (i)	1,182,702	1,430,752
Group profit before income tax		**5,160,970**	**4,562,705**
Income tax expense	11	(930,660)	(886,758)
Profit for the year		**4,230,310**	**3,675,947**
Attributable to:			
Equityholders of the company		3,932,142	3,296,625
Non-controlling interest	15 (iii)	298,168	379,322
Total		**4,230,310**	**3,675,947**
Earnings Per Share (KShs)			
Basic and diluted	12	54.26	45.49

The notes on pages 50 to 108 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 KShs '000	2016 KShs '000
Profit for the year		4,230,310	3,675,947
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Net fair value gain/(loss) on financial assets	7(ii)	292,898	(383,121)
Deferred tax on other comprehensive income	16	(87,589)	7,604
Other comprensive income		186	-
Items that are or/may be reclassified subsequently to profit or loss			
Net translation loss	31 (c) & 15 (iii)	(468)	(497,679)
Associate share of other comprehensive income	15 (i)	47,219	(52,888)
Total other comprehensive income, net of tax		**252,246**	**(926,084)**
Total comprehensive income for the year		**4,482,556**	**2,749,863**
Attributable to:			
Equityholders of the Company		4,172,850	2,557,242
Non-controlling interest	15 (iii)	309,706	192,621
Total comprehensive income for the year		**4,482,556**	**2,749,863**

The notes on pages 50 to 108 are an integral part of these financial statements.

	Note	COMPANY 2017 KShs '000	COMPANY 2016 KShs '000
Income			
Investment and other income	7 (i)	916,600	122,577
Total income		**916,600**	**122,577**
Expenses			
Operating and other expenses	10	1,255	(85,400)
Total expenses		**1,255**	**(85,400)**
Finance costs	35	(2,849)	-
Profit before income tax		**915,006**	**37,177**
Income tax expense	11	(3,687)	2,497
Profit for the year		**911,319**	**39,674**

The notes on pages 50 to 108 are an integral part of these financial statements.

COMPANY STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 KShs '000	2016 KShs '000
Profit for the year		**911,319**	**39,674**
Items that may be reclassified to profit or loss			
Net fair value gains on financial assets at fair value through other comprehensive income	7(ii)	35,014	(148)
Deferred tax on other comprehensive income	16	(10,504)	-
Total other comprehensive income, net of tax		**24,510**	**(148)**
Total comprehensive income for the year		**935,829**	**39,526**

The notes on pages 50 to 108 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note	2017 KShs '000	2016 KShs '000
ASSETS			
Property and equipment	13 (i)	281,187	217,654
Intangible assets	13 (ii)	158,341	163,425
Investment properties	14	6,270,940	6,011,881
Investment in associates	15 (i)	9,579,327	9,263,205
Deferred tax asset	16	191,273	179,687
Unquoted equity investments at fair value through profit or loss	17	3,157,632	2,805,049
Unquoted equity investments at fair value through other comprehensive income	17	200,371	104,875
Government securities at armortised cost	18	47,195,222	39,666,112
Commercial bonds at amortised cost	19	904,007	1,423,678
Mortgage loans	20 (i)	109,098	79,869
Loans on life insurance policies	20 (ii)	788,958	716,367
Quoted equity investments at fair value through profit or loss	21	6,853,603	4,644,331
Quoted equity investments at fair value through other comprehensive income	21	1,276,692	983,598
Receivables arising out of direct insurance arrangements	4 (ii) (c)	4,204,795	4,810,755
Receivables arising out of reinsurance arrangements	4 (ii) (c)	3,071,800	2,805,793
Reinsurers' share of insurance contract liabilities	22	7,250,563	6,891,960
Deferred acquisition costs	23	147,132	221,842
Other receivables	24	1,080,642	1,241,065
Current income tax asset	11	142,478	124,014
Deposits with financial institutions	25 (i)	10,585,597	7,247,623
Cash and bank balances	25 (i)	1,517,872	964,960
Total assets		**104,967,530**	**90,567,743**
LIABILITIES			
Deferred tax liability	16	199,550	163,189
Insurance contract liabilities	26	24,983,504	20,281,061
Payable under deposit administration contracts	27	42,214,336	35,988,354
Unearned premium revenue	28	7,571,212	8,708,799
Dividends payable	33 (ii)	369,176	325,515
Other payables	29	1,995,468	1,910,747
Current income tax liability	11	70,983	139,133
Creditors arising out of direct insurance arrangements		325,730	293,024
Creditors arising out of reinsurance arrangements		2,006,921	1,336,252
Total liabilities		**79,736,880**	**69,146,074**
EQUITY			
Share capital	30	362,365	329,423
Reserves	31	3,096,997	2,769,487
Retained earnings	32	19,512,980	16,352,839
Proposed dividends	33 (i)	579,784	494,133
Equity attributable to owners of the company		**23,552,126**	**19,945,882**
Non-controlling interest	15 (iii)	1,678,524	1,475,787
Total equity		**25,230,650**	**21,421,669**
Total liabilities and equity		**104,967,530**	**90,567,743**

The financial statements on pages 42 to 108 were approved by the Board of Directors on 13 April 2018 and signed on its behalf by:

Nizar N Juma
Chairman

Zul Abdul
Director

The notes on pages 50 to 108 are an integral part of these financial statements.

	Note	2017 KShs '000	2016 KShs '000
ASSETS			
Property and equipment	13 (i)	17,281	22,829
Investment in associates	15 (i)	838,251	838,251
Investment in subsidiaries	15 (ii)	1,874,573	1,850,890
Deferred tax asset	16	-	4,229
Unquoted equity investments at fair value through other comprehensive income	17	65,630	27,599
Quoted equity investments at fair value through other comprehensive income	21	20,270	11,874
Current income tax asset	11	7,661	10,004
Due from related parties	35	105,587	89,452
Other receivables	24	109,916	50,206
Deposits with financial institutions	25 (i)	250,098	12,345
Cash and bank balances	25 (i)	22,898	20,844
Total assets		**3,312,165**	**2,938,523**
LIABILITIES			
Deferred tax liability	16	6,034	-
Due to related parties	35	158,805	206,459
Dividends payable	33 (ii)	369,176	325,515
Other payables	29	12,985	13,457
Borrowings from related parties	35	630,315	627,465
Total liabilities		**1,177,315**	**1,172,896**
EQUITY			
Share capital	30	362,365	329,423
Reserves	31	101,357	76,847
Retained earnings	32	1,091,344	865,224
Proposed dividends	33 (i)	579,784	494,133
Total equity		**2,134,850**	**1,765,627**
Total liabilities and equity		**3,312,165**	**2,938,523**

The financial statements on pages 42 to 108 were approved by the Board of Directors on 13 April 2018 and signed on its behalf by:

Nizar N Juma
Chairman

Zul Abdul
Director

The notes on pages 50 to 108 are an integral part of these financial statements

	Note	Share Capital KShs '000	Fair Value Reserves KShs '000	General Reserves KShs '000	Translation Reserves KShs '000	Contingency Reserves KShs '000	Statutory Reserve KShs '000	Retained Earnings KShs '000	Proposed Dividends KShs '000	Equity Attributable to Owners KShs '000	Non-Controlling Interest KShs '000	Total Equity KShs '000
Year ended 31 December 2016												
At start of year		**329,423**	**528,488**	**70,000**	**(240,449)**	**829,413**	**3,327,844**	**13,752,577**	**494,133**	**19,091,429**	**1,283,166**	**20,374,595**
Profit for the year		-	-	-	-	-	-	**3,296,625**	-	**3,296,625**	**379,322**	**3,675,947**
Other comprehensive income												
Other fair value loss on share of associates through OCI	15 (i)	-	(52,888)	-	-	-	-	-	-	**(52,888)**	-	**(52,888)**
Change in fair value of financial assets through OCI		-	(379,322)	-	-	-	-	-	-	**(379,322)**	(3,799)	**(383,121)**
Deferred tax on other comprehensive income	16	-	6,464	-	-	-	-	-	-	**6,464**	1,140	**7,604**
Transfer to retained earnings on disposal		-	1,716	-	-	-	-	(1,716)	-	**-**	-	**-**
Net translation loss	31 (c) & 15 (iii)	-	-	-	(313,637)	-	-	-	-	**(313,637)**	(184,042)	**(497,679)**
Transfer to contingency reserves	31 (d)	-	-	-	-	134,629	-	(134,629)	-	**-**	-	**-**
Transfer from life fund	31 (e)	-	-	-	-	-	(1,142,771)	-	-	**(1,142,771)**	-	**(1,142,771)**
Total comprehensive income for the year		**-**	**(424,030)**	**-**	**(313,637)**	**134,629**	**(1,142,771)**	**3,160,280**	**-**	**1,414,471**	**192,621**	**1,607,092**
Transactions with owners:												
Bonus issue		-	-	-	-	-	-	-	-	**-**	-	**-**
Dividends: Final for 2015 paid	33 (ii)	-	-	-	-	-	-	-	(494,133)	**(494,133)**	-	**(494,133)**
Interim for 2016 paid	33 (i) & (ii)	-	-	-	-	-	-	(65,885)	-	**(65,885)**	-	**(65,885)**
Final for 2016 proposed	33 (i)	-	-	-	-	-	-	(494,133)	494,133	**-**	-	**-**
Total transactions with owners		**-**	**-**	**-**	**-**	**-**	**-**	**(560,018)**	**-**	**(560,018)**	**-**	**(560,018)**
At end of year		**329,423**	**104,458**	**70,000**	**(554,086)**	**964,042**	**2,185,073**	**16,352,839**	**494,133**	**19,945,882**	**1,475,787**	**21,421,669**
Year ended 31 December 2017												
At start of year		**329,423**	**104,458**	**70,000**	**(554,086)**	**964,042**	**2,185,073**	**16,352,839**	**494,133**	**19,945,882**	**1,475,787**	**21,421,669**
Profit for the year		-	-	-	-	-	-	**3,932,142**	-	**3,932,142**	**298,168**	**4,230,310**
Other comprehensive income												
Other fair value gain on share of associates through OCI	15 (i)	-	47,219	-	-	-	-	-	-	**47,219**	-	**47,219**
Change in fair value of financial assets through OCI		-	265,419	-	-	-	-	-	-	**265,419**	27,479	**292,898**
Deferred tax on other comprehensive income	16	-	(79,345)	-	-	-	-	-	-	**(79,345)**	(8,244)	**(87,589)**
Net translation loss	31 (c) & 15 (iii)	-	-	-	7,266	-	-	-	-	**7,266**	(7,734)	**(468)**
Transfer to contingency reserves	31 (d)	-	-	-	-	86,951	-	(86,951)	-	**-**	-	**-**
Other comprehensive income		-	-	-	-	-	-	149	-	**149**	37	**186**
Total comprehensive income for the year		**-**	**233,293**	**-**	**7,266**	**86,951**	**-**	**3,845,340**	**-**	**4,172,850**	**309,706**	**4,482,556**
Transactions with owners:												
Bonus issue		32,942	-	-	-	-	-	(32,942)	-	**-**	-	**-**
Dividends: Final for 2016 paid	33 (ii)	-	-	-	-	-	-	-	(494,133)	**(494,133)**	-	**(494,133)**
Final for 2016 paid to non-controlling interest											(106,969)	**(106,969)**
Interim for 2017 paid	33 (i) & (ii)	-	-	-	-	-	-	(72,473)	-	**(72,473)**	-	**(72,473)**
Final for 2017 proposed	33 (i)	-	-	-	-	-	-	(579,784)	579,784	**-**	-	**-**
Total transactions with owners		**32,942**	**-**	**-**	**-**	**-**	**-**	**(685,199)**	**85,651**	**(566,606)**	**(106,969)**	**(673,575)**
At end of year		**362,365**	**337,751**	**70,000**	**(546,820)**	**1,050,993**	**2,185,073**	**19,512,980**	**579,784**	**23,552,126**	**1,678,524**	**25,230,650**

The notes on pages 50 to 108 are an integral part of these financial statements.

		Share Capital	Fair Value Reserves	General Reserves	Retained Earnings	Proposed Dividends	Total Equity
		KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Year ended 31 December 2016	**Note**						
At start of year		**329,423**	**6,995**	**70,000**	**1,385,568**	**494,133**	**2,286,119**
Profit for the year		**-**	**-**	**-**	**39,674**	**-**	**39,674**
Other comprehensive Income							
Change in fair value of financial assets through other comprehensive income	31 (i)	-	(148)	-	-	-	**(148)**
Total comprehensive income for the year		**-**	**(148)**	**-**	**39,674**	**-**	**39,526**
Transactions with owners:							
Bonus issue		-	-	-	-	-	**-**
Dividends: Final for 2015 paid	33 (ii)	-	-	-	-	(494,133)	**(494,133)**
Interim for 2016 paid	33 (i) & (ii)	-	-	-	(65,885)	-	**(65,885)**
Final for 2016 proposed	33 (i)	-	-	-	(494,133)	494,133	**-**
Total transactions with owners		**-**	**-**	**-**	**(560,018)**	**-**	**(560,018)**
At end of year		**329,423**	**6,847**	**70,000**	**865,224**	**494,133**	**1,765,627**
Year ended 31 December 2017							
At start of year		**329,423**	**6,847**	**70,000**	**865,224**	**494,133**	**1,765,627**
Profit for the year		**-**	**-**	**-**	**911,319**	**-**	**911,319**
Other comprehensive Income							
Change in fair value of financial assets through other comprehensive income	31 (i)	-	35,014	-	-	-	**35,014**
Deferred tax on other comprehensive income	16	-	(10,504)	-	-	-	**(10,504)**
Total comprehensive income for the year		**-**	**24,510**	**-**	**911,319**	**-**	**935,829**
Transactions with owners:							
Bonus issue		32,942	-	-	(32,942)	-	**-**
Dividends: Final for 2016 paid	33 (ii)	-	-	-	-	(494,133)	**(494,133)**
Interim for 2017 paid	33 (i) & (ii)	-	-	-	(72,473)	-	**(72,473)**
Final for 2017 proposed	33 (i)	-	-	-	(579,784)	579,784	**-**
Total transactions with owners		**32,942**	**-**	**-**	**(685,199)**	**85,651**	**(566,606)**
At end of year		**362,365**	**31,357**	**70,000**	**1,091,344**	**579,784**	**2,134,850**

The notes on pages 50 to 108 are an integral part of these financial statement.

	Note	2017 KShs '000	2016 KShs '000
Cash flow from operating activities			
Cash generated from operations	25 (iii)	5,056,388	2,878,508
Income tax paid	11	(1,041,320)	(1,203,916)
Net cash inflow from operating activities		**4,015,068**	**1,674,592**
Cash flow from investing activities			
Rent, interest and dividend received		6,884,867	6,031,368
Dividends received from associates	15 (i)	338,091	768,750
Proceeds from sale of quoted shares		113,438	158,279
Proceeds from disposal of property and equipment		412	1,655
Proceeds from part redemptions of shares in associate	15 (i)	580,554	-
Purchase of property and equipment and intangible assets	13	(203,956)	(219,285)
Net additions of investment properties	14	(28,341)	(162,731)
Purchase of quoted equity investments	21	(106,810)	(59,734)
Sale of unquoted equity investments		-	3,497
Mortgage loans advanced	20 (i)	(83,175)	(22,932)
Mortgage loans repaid	20 (i)	52,731	9,799
Loans on life insurance policies advanced	20 (ii)	(218,670)	(283,342)
Loans on life insurance policies repaid	20 (ii)	146,003	61,811
Net purchase of government securities	18	(4,980,609)	(10,086,901)
Net proceeds of commercial bonds	19	519,671	435,098
Net cash inflow/(outflow) from investing activities		**3,014,206**	**(3,364,668)**
Cash flow from financing activities			
Dividends paid		(566,606)	(560,018)
Net cash outflow from financing activities		**(566,606)**	**(560,018)**
Decrease in cash and cash equivalents		**6,462,668**	**(2,250,094)**
Cash and cash equivalents at start of year		8,326,849	10,890,580
Exchange gain on translation of cash and cash equivalents	31 (c)	7,267	(313,637)
Cash and cash equivalents at end of year	25 (ii)	**14,796,784**	**8,326,849**

The notes on pages 50 to 108 are an integral part of these financial statements.

	Note	2017 KShs '000	2016 KShs '000
Cash flow from operating activities			
Profit before income tax		915,006	37,177
Adjustments for: -			
Depreciation	13 (i)	6,146	5,969
Write off of unquoted shares	17	128	-
Investment income	7	(916,600)	(122,577)
Operating loss before changes to receivables and payables		**4,680**	**(79,431)**
Change in receivables		(75,845)	20,582
Change in payables		(1,618)	454,787
Cash generated from operations		**(72,783)**	**395,938**
Income tax paid	11	(1,585)	(420)
Net cash (outflow)/inflow from operating activities		**(74,368)**	**395,518**
Cash flow from investing activities			
Rent, interest and dividend received	7 (i)	13,450	2,119
Dividends received from associates	7 (i)	108,705	48,705
Dividends received from subsidary	7 (i)	798,100	72,509
Purchase of property and equipment and intangible assets	13 (i)	(597)	(2,174)
Purchase of quoted equity investments	21	(11,541)	-
Additional investment in subsidiary	15 (ii)	(23,683)	(40,263)
Net cash inflow from investing activities		**884,434**	**80,896**
Cash flow from financing activities			
Dividends paid		(566,606)	(560,018)
Net cash outflow from financing activities		**(566,606)**	**(560,018)**
Increase in cash and cash equivalents		**243,460**	**(83,604)**
Cash and cash equivalents at start of year		33,189	117,549
Exchange gain on translation of cash and cash equivalents		(3,653)	(756)
Cash and cash equivalents at end of year	25 (ii)	**272,996**	**33,189**

The notes on pages 50 to 108 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 1,017 (2016: 986) 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 underwriting of property, health and liability insurance business.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out in Note 38. 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. Set out below are the areas are the areas that are most dependent on the application of estimates and assumptions:

a) Insurance contract liabilities

(i) Short-term business

Management applies judgment in the estimation of short-term insurance contract liabilities. The Group uses historical experience to estimate the ultimate cost of claims and the provision for incurred but not reported (IBNR) claims. 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. The nature of claims is generally high frequency with short reporting periods. The Group estimates claims using projected ultimate loss ratios based on notified claims.

(ii) Long-term business

The determination of the liabilities under long term insurance contracts is dependent on estimates made by the Group. Assumptions used to compute the liabilities include mortality, persistency and investment returns. The assumptions used also include margin for adverse deviation, for key variables, when considered appropriate. The Group uses standard mortality tables that reflect historical mortality experience.

The main source of uncertainty is that future mortality may end up 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, 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.

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

b) Income tax

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

c) Valuation of unquoted equity investments

The Group estimates the value of unquoted equity investments using techniques that include the use of observable inputs. Changes in these estimates could result in material changes in the fair value of the investment. See further disclosures in Note 17.

d) Receivables

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

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

This section summarises the way the Group manages key risks:

(i) Insurance risk

The Group uses underwriting guidelines and standards to carefully select risks and maximize underwriting returns. 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. 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. With assistance from the Group's actuarial experts, pricing of insurance contracts is regularly reviewed in line with experience.

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

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(i) Insurance risk (continued)

The following tables illustrate the Group's concentration of insurance risk. The tables disclose the range of individual insured risk (sums assured) for the principle classes of business underwritten by the Group.

Year ended 31 December 2017		Maximum insured loss				
Class of business						
Short-term business		**KShs 0m - KShs 15m**	**KShs 15m - KShs 250m**	**KShs 250m - KShs 1000m**	**KShs 1000m +**	**Total**
		KShs'000	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Motor	Gross	66,949,365	11,409,947	2,454,553	878,395	**81,692,260**
	Net	36,714,015	10,499,199	1,919,796	6,015	**49,139,025**
Fire	Gross	24,489,849	107,377,330	100,477,110	319,973,471	**552,317,760**
	Net	14,270,286	98,707,603	93,918,378	184,462,539	**391,358,806**
Personal accident	Gross	2,942,644	47,266,130	9,792,976	421,822	**60,423,572**
	Net	2,209,775	42,481,769	9,724,714	39,011	**54,455,269**
Medical	Gross	29,213,302	160,713,719	57,939,804	117,985,923	**365,852,748**
	Net	19,179,127	83,089,712	49,776,535	63,539,553	**215,584,927**
Other	Gross	70,227,395	259,551,292	111,365,676	786,908,087	**1,228,052,450**
	Net	39,424,273	146,084,670	61,103,209	198,488,745	**445,100,897**
Long-term business						
Ordinary life	Gross	27,611,250	3,584,443	40,120	-	**31,235,813**
	Net	26,702,685	3,192,508	-	-	**29,895,193**
Group life	Gross	1,740,534,690	1,088,530,292	55,660,712	11,390,704	**2,896,116,398**
	Net	919,286,187	344,030,985	24,040,666	7,053,888	**1,294,411,726**
Annuity	Gross	6,136,108	2,512,028	-	-	**8,648,136**
	Net	6,136,108	2,512,028	-	-	**8,648,136**
Total	**Gross**	**1,968,104,603**	**1,680,945,181**	**337,730,951**	**1,237,558,402**	**5,224,339,137**
	Net	**1,063,922,456**	**730,598,474**	**240,483,298**	**453,589,751**	**2,488,593,979**

Year ended 31 December 2016		Maximum insured loss				
Class of business						
Short-term business		**KShs 0m - KShs 15m**	**KShs 15m - KShs 250m**	**KShs 250m - KShs 1000m**	**KShs 1000m +**	**Total**
		KShs'000	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Motor	Gross	61,522,395	38,473,895	6,063,844	939,563	**106,999,697**
	Net	38,173,391	28,057,339	5,042,263	47,155	**71,320,148**
Fire	Gross	19,655,146	125,081,591	115,885,004	983,643,136	**1,244,264,877**
	Net	16,421,846	97,963,022	40,909,244	66,188,638	**221,482,750**
Personal accident	Gross	2,974,117	64,915,712	21,125,520	223,751,737	**312,767,086**
	Net	2,137,767	55,155,482	15,124,816	25,727,369	**98,145,434**
Medical	Gross	33,090,654	173,025,562	84,305,682	266,430,038	**556,851,936**
	Net	22,913,816	127,143,189	53,045,216	88,506,605	**291,608,826**
Other	Gross	54,358,087	210,824,282	86,938,787	727,357,214	**1,079,478,370**
	Net	29,335,627	150,343,861	45,715,328	187,329,457	**412,724,273**
Long-term business						
Ordinary life	Gross	25,290,897	2,543,348	8,230	-	**27,842,475**
	Net	24,611,174	2,029,890	-	-	**26,641,064**
Group life	Gross	1,560,709,310	499,619,988	33,332,338	3,359,138	**2,097,020,774**
	Net	1,030,328,809	185,058,217	5,000	-	**1,215,392,026**
Annuity	Gross	4,235,463	1,435,397	-	-	**5,670,860**
	Net	4,235,463	1,435,397	-	-	**5,670,860**
Total	**Gross**	**1,761,836,069**	**1,115,919,775**	**347,659,405**	**2,205,480,826**	**5,430,896,075**
	Net	**1,168,157,893**	**647,186,397**	**159,841,867**	**367,799,224**	**2,342,985,381**

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(ii) Financial risk

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

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

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

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

(a) Market risk

Market risk will apply to quoted equity investments valued through profit or loss as well as those through equity, balances and investments carried in currencies other than reporting currency and investments in associates and investments that are translated to the Group reporting currency.

(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 by maintaining Dollar currency deposits 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 from its Kenyan operations (all amounts expressed in Kenya Shillings thousands):

Exchange Risk As at 31 December 2017:	**US Dollar KShs'000**	**Euro KShs'000**	**Uganda Shillings KShs'000**	**Tanzania Shillings KShs'000**	**Mauritius Rupees KShs'000**	**Burundi Francs KShs'000**	**Total KShs'000**
ASSETS							
Receivables arising out of reinsurance arrangements	-	-	17,439	4,303	-	64,844	**86,586**
Deferred acquisition costs	-	-	5,710	-	722	6,244	**12,676**
Deposit with financial institutions	392,436	-	-	-	-	-	**392,436**
Cash and bank balances	186,831	-	4,707	-	1	-	**191,539**
Total assets	**579,267**	**-**	**27,856**	**4,303**	**723**	**71,088**	**683,237**
LIABILITIES							
Provision for unearned premium	-	-	18,274	-	2,206	21,208	**41,688**
Insurance contract liabilities	-	-	32,717	7,124	10,815	21,038	**71,694**
Creditors arising out of reinsurance arrangements	52,383	8,547	-	-	15,364	-	**76,294**
Total liabilities	**52,383**	**8,547**	**50,991**	**7,124**	**28,385**	**42,246**	**189,676**
Net position	**526,884**	**(8,547)**	**(23,135)**	**(2,821)**	**(27,662)**	**28,842**	**493,561**

As at 31 December 2016:	**US Dollar KShs'000**	**Euro KShs'000**	**Uganda Shillings KShs'000**	**Tanzania Shillings KShs'000**	**Mauritius Rupees KShs'000**	**Burundi Francs KShs'000**	**Total KShs'000**
ASSETS							
Receivables arising out of reinsurance arrangements	-	-	3,407	61,452	-	66,390	**131,249**
Deferred acquisition costs	-	-	16,816	-	3,198	6,288	**26,302**
Deposit with financial institutions	569,468	-	-	-	-	-	**569,468**
Cash and bank balances	8,091	-	4,707	-	1	-	**12,799**
Total assets	**577,559**	**-**	**24,930**	**61,452**	**3,199**	**72,678**	**739,818**
LIABILITIES							
Provision for unearned premium	-	-	81,157	-	9,872	119,511	**210,540**
Insurance contract liabilities	-	-	68,042	14,655	13,173	126,805	**222,675**
Deferred acquisition costs	-	5,556	6,478	17,416	7,997	44,926	**82,373**
Total liabilities	**-**	**5,556**	**155,677**	**32,071**	**31,042**	**291,242**	**515,588**
Net position	**577,559**	**(5,556)**	**(130,747)**	**29,381**	**(27,843)**	**(218,564)**	**224,230**

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(ii) Financial risk (continued)

(a) Market Risk (continued)

(i) Foreign exchange risk (continued)

At 31 December 2017, if the Kenya 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 23 million (2016: KShs 58 million) higher/lower, mainly as a result of US dollar receivables and bank balances in the Kenyan entity.

Company

Exchange Risk As at 31 December 2017:	US Dollar KShs'000	Uganda Shillings KShs'000	Tanzania Shillings KShs'000	Mauritius Rupees KShs'000	Burundi Francs KShs'000	Total KShs'000
ASSETS						
Due from related parties	-	-		860	75,520	**76,380**
Deposit with financial institutions	2,395	-	-	-	-	**2,395**
Cash and bank balances	-	4,707	-	1	-	**4,708**
Total assets	**2,395**	**4,707**	**-**	**861**	**75,520**	**83,483**
LIABILITIES						
Due to related parties	-	768,231	20,889	-	-	**789,120**
Total liabilities	**-**	**768,231**	**20,889**	**-**	**-**	**789,120**
Net position	**2,395**	**(763,524)**	**(20,889)**	**861**	**75,520**	**(705,637)**

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

At 31 December 2017, if the Kenya 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 31 thousand (2016: KShs 25 thousand) higher/lower, mainly as a result of US dollar receivables and bank balances in the Kenyan entity.

The Group's exposure to the foreign currency risk of its subsidiaries and associates companies (where the entity's reporting currency is not Kenya Shilling linked) is summarized in the tables below by country and reporting currency:

Exchange Risk As at 31 December 2017:	US Dollar KShs'000	Uganda Shillings KShs'000	Tanzania Shillings KShs'000	Mauritius Rupees KShs'000	Burundi Francs KShs'000
Subsidaries					
Jubilee Uganda	-	6,682,652	-	-	-
Jubilee Tanzania	-	-	1,184,517	-	-
Jubilee Mauritius	-	-	-	281,627	-
Jubilee Burundi	-	-	-	-	271,537
Associates	-	-	-	-	-
Bujagali Holdings Power Company Limited	2,264,303	-	-	-	-
IPS Cable Systems Limited	2,519,322	-	-	-	-
IPS Power Investment Limited	98,435	-	-	-	-
Group gross foreign currency exposure	***4,882,060***	***6,682,652***	***1,184,517***	***281,627***	***271,537***
Non-controlling interest foreign currency exposure	-	(973,738)	(571,086)	(56,325)	(77,374)
Net gross foreign currency exposure	**4,882,060**	**5,708,914**	**613,431**	**225,302**	**194,163**
Exchange Rates					
Closing rate at 31 December 2017	103.232	35.212	21.699	3.076	17.099
Average rate during the year 2017	103.379	35.243	21.473	2.900	16.714

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(iii) Financial risk (continued)

(a) Market Risk (continued)

(i) Foreign exchange risk (continued)

Exchange Risk	US Dollar	Uganda Shillings	Tanzania Shillings	Mauritius Rupees	Burundi Francs
As at 31 December 2016:	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Subsidaries					
Jubilee Uganda	-	5,559,998	-	-	-
Jubilee Tanzania	-	-	1,091,424	-	-
Jubilee Mauritius	-	-	-	229,103	-
Jubilee Burundi	-	-	-	-	207,603
Associates	-	-	-	-	-
Bujagali Holdings Power Company Limited	2,282,893	-	-	-	-
IPS Cable Systems Limited	2,390,684	-	-	-	-
IPS Power Investment Limited	198,887	-	-	-	-
Group gross foreign currency exposure	***4,872,464***	***5,559,998***	***1,091,424***	***229,103***	***207,603***
Non-controlling interest foreign currency exposure	-	(975,630)	(395,786)	(45,821)	(58,550)
Net gross foreign currency exposure	**4,872,464**	**4,584,368**	**695,638**	**183,282**	**149,053**
Exchange Rates					
Closing rate at 31 December 2016	102.486	35.273	21.252	2.724	16.347
Average rate during the year 2016	101.501	34.130	21.182	2.723	15.685

(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 31 December 2017, if the NSE, indices had increased/decreased by 10% (2016:10%) 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 480 million (2016: KShs 325 million) higher/lower, while post-tax other comprehensive income would have been KShs 76 million (2016: KShs. 60 million). The Group also has investment in the USE and DSE. The change of price in these stock exchanges would not materially affect the Group.

Company

At 31 December 2017 the Company did not hold any shares in the Nairobi Securities Exchange. If the USE indices had increased/ decreased by 10% with all other variables held constant, all the companies' equity instruments moved according to the historical correlation to the index, then equity movement would not have been significant.

(b) Cash flow and fair value interest rate risk

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

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

The Group's variable interest rate financial instruments are call deposits, as the rates may fluctuate based on changes in the market interest rates.

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.

At 31 December 2017, if the interest rates applicable to the above mentioned financial instruments had increased/decreased by 10% (2016:10%) with all other variables held constant, the change in the post-tax profit would not have been significant as the call deposits are held in the interim and placed in fixed interest rate instruments.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(ii) Financial risk (continued)

(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, Government securities, loans on life insurance policies, mortgage loans, corporate bonds and deposits with banks and other receivables.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The credit worthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

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.

Local regulations of Kenya, Uganda and Tanzania require require a minimum investment in the local government securities. As per S&P rating the Government of Kenya and the Government of Uganda which has B+ and B respectively. These ratings are considered when investing in Government securities over and above the regulatory requirements.

For investments in corporate bonds and deposits with financial institutions, the stability and reputation of the companies and banks is reviewed regularly.

Surrender values of the life insurance policies and title documents are held as collateral for loans on life policies and mortgage loans respectively. All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

The group manages credit risk by review of repayment terms and on an ongoing basis monitors all of the above financial assets for default. On default, the assets are then classified as either past due but not impaired or impaired.

None of the above assets are past due or impaired except for the following amounts in;

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

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

	Direct Insurance Arrangements		Reinsurance Arrangements	
	2017 KShs '000	2016 KShs '000	2017 KShs '000	2016 KShs '000
Neither past due nor impaired	2,447,810	1,507,064	872,614	419,766
Past due but not impaired	1,756,985	3,303,691	2,199,186	2,386,027
Impaired	675,813	662,330	9,610	9,610
Gross	**4,880,608**	**5,473,085**	**3,081,410**	**2,815,403**
Less: provision for impairment	(675,813)	(662,330)	(9,610)	(9,610)
Net	**4,204,795**	**4,810,755**	**3,071,800**	**2,805,793**

Movements on the provision for impairment of receivables are as follows

	Direct Insurance Arrangements		Reinsurance Arrangements	
	2017 KShs '000	2016 KShs '000	2017 KShs '000	2016 KShs '000
At start of year	662,330	565,788	9,610	9,610
Increase in the year	117,639	96,542	-	-
Write-offs in the year	(104,156)	-	-	-
At end of year	**675,813**	**662,330**	**9,610**	**9,610**

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(ii) Financial risk (continued)

(c) Credit risk (continued)

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

	Direct Insurance Arrangements		Reinsurance Arrangements	
	2017	2016	2017	2016
Past due but not impaired:	KShs '000	KShs '000	KShs '000	KShs '000
- by up to 30 days	177,214	735,623	172,462	444,020
- by 31 to 60 days	340,276	602,506	2,894	32,719
- by 61 to 150 days	775,344	1,421,644	56,019	255,197
- by 151 to 360 days	464,151	543,918	1,967,811	1,654,091
Total past due but not impaired	**1,756,985**	**3,303,691**	**2,199,186**	**2,386,027**

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	
	2017	2016	2017	2016
Individually assessed impaired receivables	KShs '000	KShs '000	KShs '000	KShs '000
- brokers	417,146	573,331	2,995	2,995
- agents	143,432	38,012	-	-
- insurance companies	16,476	-	6,615	6,615
- direct clients	98,759	50,987	-	-
Total	**675,813**	**662,330**	**9,610**	**9,610**

(d) Liquidity risk

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

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

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

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(ii) Financial risk (continued)

(d) Liquidity risk (continued)

GROUP

Year ended 31 December 2017	Up to 1 month	1 to 3 months	3 to 12 months	Over 1 year	Discounting effect	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Assets						
Equity securities	-	-	6,853,606	4,634,692	-	**11,488,298**
Mortgage loans	-	-	26,584	109,740	(27,226)	**109,098**
Loans on life insurance policies	9,501	18,126	107,056	751,534	(97,259)	**788,958**
Government securities	102,983	2,670,683	5,077,515	40,752,048	(1,408,007)	**47,195,222**
Commercial bonds	-	-	-	951,858	(47,851)	**904,007**
Other receivables	226,232	854,410	-	-	-	**1,080,642**
Insurance and reinsurance receiveables	2,522,240	1,893,748	1,746,950	1,113,657	-	**7,276,595**
Deposits with financial institutions and cash and bank balances	1,517,872	8,408,173	2,177,424	-	-	**12,103,469**
Total assets	**4,378,828**	**13,845,140**	**15,989,135**	**48,313,529**	**(1,580,343)**	**80,946,289**
Liabilities						
Insurance contract liabilities	1,040,527	5,075,420	3,698,832	25,052,655	(9,883,930)	**24,983,504**
Payable under deposit administration contracts	401,723	1,336,369	10,054,851	48,387,388	(17,965,995)	**42,214,336**
Creditors arising out of direct insurance arrangements	51,277	84,530	91,548	98,375	-	**325,730**
Creditors arising out of reinsurance arrangements	757,275	522,547	468,470	258,629	-	**2,006,921**
Dividend and other payables	924,849	753,225	579,601	106,969	-	**2,364,644**
Total liabilities	**3,175,651**	**7,772,091**	**14,893,302**	**73,904,016**	**(27,849,925)**	**71,895,135**
(Shortfall)/excess of assets over liabilities	**1,203,177**	**6,073,049**	**1,095,833**	**(25,590,487)**	**26,269,582**	**9,051,154**

Year ended 31 December 2016	Up to 1 month	1 to 3 months	3 to 12 months	Over 1 year	Discounting effect	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Assets						
Equity securities	-	-	4,644,334	3,893,519	-	**8,537,853**
Mortgage loans	-	-	-	107,022	(27,153)	**79,869**
Loans on life insurance policies	8,810	16,980	45,717	736,463	(91,603)	**716,367**
Government securities	-	117,003	5,796,021	34,703,221	(950,133)	**39,666,112**
Commercial bonds	-	-	213,260	1,234,329	(23,911)	**1,423,678**
Other receivables	329,805	911,260	-	-	-	**1,241,065**
Insurance and reinsurance receiveables	3,065,588	81,402	1,320,128	3,149,430	-	**7,616,548**
Deposits with financial institutions and cash and bank balances	964,960	4,496,169	2,751,454	-	-	**8,212,583**
Total assets	**4,369,163**	**5,622,814**	**14,770,914**	**43,823,984**	**(1,092,800)**	**67,494,075**
Liabilities						
Insurance contract liabilities	184,818	614,817	4,625,882	22,261,330	(7,405,786)	**20,281,061**
Payable under deposit administration contracts	11,968	13,569	363,206	56,660,530	(21,060,919)	**35,988,354**
Creditors arising out of direct insurance arrangements	282,915	-	-	10,109	-	**293,024**
Creditors arising out of reinsurance arrangements	372,853	17,413	282,392	663,594	-	**1,336,252**
Dividend and other payables	1,355,844	15,417	194,392	670,609	-	**2,236,262**
Total liabilities	**2,208,398**	**661,216**	**5,465,872**	**80,266,172**	**(28,466,705)**	**60,134,953**
Excess/(shortfall) of assets over liabilities	**2,160,765**	**4,961,598**	**9,305,042**	**(36,442,188)**	**27,373,905**	**7,359,122**

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(ii) Financial risk (continued)

(d) Liquidity risk (continued)

COMPANY

Year ended 31 December 2017	Up to 1 month	1 to 3 months	3 to 12 months	Over 1 years	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Assets					
Equity securities	-	-	-	85,900	85,900
Due from related parties	105,587	-	-	-	105,587
Other receivables	-	109,916	-	-	109,916
Deposits with financial institutions and cash and bank balances	255,496	17,500	-	-	272,996
Total assets	**361,083**	**127,416**	**-**	**85,900**	**574,399**
Liabilities					
Due to related parties	789,120	-	-	-	789,120
Dividend and other payables	369,176	12,985	-	-	382,161
Totals	**1,158,296**	**12,985**	**-**	**-**	**1,171,281**
Excess/(shortfall) of assets over liabilities	**(797,213)**	**114,431**	**-**	**85,900**	**(596,882)**

Year ended 31 December 2016	Up to 1 month	1 to 3 months	3 to 12 months	Over 1 years	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Assets					
Equity securities	-	-	-	39,473	39,473
Due from related parties	89,452	-	-	-	89,452
Other receivables	-	50,206	-	-	50,206
Deposits with financial institutions and cash and bank balances	33,189	-	-	-	33,189
Total assets	**122,641**	**50,206**	**-**	**39,473**	**212,320**
Liabilities					
Due to related parties	833,924	-	-	-	833,924
Dividend and other payables	325,515	13,457	-	-	338,972
Totals	**1,159,439**	**13,457**	**-**	**-**	**1,172,896**
Excess/(shortfall) of assets over liabilities	**(1,036,798)**	**36,749**	**-**	**39,473**	**(960,576)**

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(ii) Financial risk (continued)

(e) Fair value estimation

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

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

GROUP

		Carrying Amount					Fair value heirarchy			
31 December 2017		**Designated at fair value through profit or loss**	**Amortised cost**	**Designated at fair value through OCI**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	Note	**KShs '000**	**KShs '000**	**KShs '000**	**KShs '000**	**KShs '000**	**KShs '000**	**KShs '000**	**KShs '000**	**KShs '000**
Financial assets measured at fair value										
Investment Property	14	6,270,940	-	-	-	**6,270,940**	-	6,270,940	-	**6,270,940**
Equity securities	17 & 21	10,011,235		1,477,063	-	**11,488,298**	8,130,295	-	3,358,003	**11,488,298**
Financial assets not measured at fair value										
Mortgage loans	20 (i)	-	109,098		-	**109,098**	-	-	109,098	**109,098**
Loans on life insurance policies	20 (ii)	-	788,958		-	**788,958**	-	-	788,958	**788,958**
Government securities	18	-	47,195,222		-	**47,195,222**	45,178,932	-	-	**45,178,932**
Commercial bonds	19	-	904,007		-	**904,007**	-	951,858	-	**951,858**
Other receivables	24	-	1,080,642		-	**1,080,642**	-	-	1,080,642	**1,080,642**
Insurance and reinsurance receiveables	4 (ii) (c)	-	7,276,595		-	**7,276,595**	-	-	7,276,595	**7,276,595**
Deposits with financial institutions and cash and bank balances	25 (i)	-	12,103,469		-	**12,103,469**	-	-	12,103,469	**12,103,469**
		16,282,175	**69,457,991**	**1,477,063**	**-**	**87,217,229**	**53,309,227**	**7,222,798**	**24,716,765**	**85,248,790**
Financial liabilities not measured at fair value										
Other payables	29	-	-	-	(1,995,468)	**(1,995,468)**	-	-	(1,995,468)	**(1,995,468)**
Dividend payable	33 (ii)	-	-	-	(369,176)	**(369,176)**	-	-	(369,176)	**(369,176)**
		-	**-**	**-**	**(2,364,644)**	**(2,364,644)**	**-**	**-**	**(2,364,644)**	**(2,364,644)**

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(ii) Financial risk (continued)

(e) Fair value estimation (continued)

GROUP

		Carrying Amount					Fair value heirarchy			
31 December 2016	**Note**	**Designated at fair value through profit or loss KShs '000**	**Amortised cost KShs '000**	**Designated at fair value through OCI KShs '000**	**Other financial liabilities KShs '000**	**Total KShs '000**	**Level 1 KShs '000**	**Level 2 KShs '000**	**Level 3 KShs '000**	**Total KShs '000**
Financial assets measured at fair value										
Investment Property	14	6,011,881	-	-	-	**6,011,881**	-	6,011,881	-	**6,011,881**
Equity securities	17 & 21	7,449,380	-	1,088,473	-	**8,537,853**	5,627,929	-	2,909,924	**8,537,853**
Financial assets not measured at fair value										
Mortgage loans	20 (i)	-	79,869	-	-	**79,869**	-	-	79,869	**79,869**
Loans on life insurance policies	20 (ii)	-	716,367	-	-	**716,367**	-	-	716,367	**716,367**
Government securities	18	-	39,666,112	-	-	**39,666,112**	35,822,774	-	-	**35,822,774**
Commercial bonds	19	-	1,423,678	-	-	**1,423,678**	-	1,447,590	-	**1,447,590**
Other receivables	24	-	1,241,065	-	-	**1,241,065**	-	-	1,241,065	**1,241,065**
Insurance and reinsurance receiveables	4 (ii) (c)	-	7,616,548	-	-	**7,616,548**	-	-	7,616,548	**7,616,548**
Deposits with financial institutions and cash and bank balances	25 (i)	-	8,212,583	-	-	**8,212,583**	-	-	8,212,583	**8,212,583**
		13,461,261	**58,956,222**	**1,088,473**	**-**	**73,505,956**	**41,450,703**	**7,459,471**	**20,776,356**	**69,686,530**
Financial liabilities not measured at fair value										
Other payables	29	-	-	-	(1,910,747)	**(1,910,747)**	-	-	(1,910,747)	**(1,910,747)**
Dividend payable	33 (ii)	-	-	-	(325,515)	**(325,515)**	-	-	(325,515)	**(325,515)**
		-	**-**	**-**	**(2,236,262)**	**(2,236,262)**	**-**	**-**	**2,236,262)**	**(2,236,262)**

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(ii) Financial risk (continued)

(e) Fair value estimation (continued)

COMPANY

31 December 2017	Note	Carrying Amount: Designated at fair value through profit or loss KShs '000	Carrying Amount: Amortised cost KShs '000	Carrying Amount: Designated at fair value through OCI KShs '000	Carrying Amount: Other financial liabilities KShs '000	Carrying Amount: Total KShs '000	Fair value heirarchy: Level 1 KShs '000	Fair value heirarchy: Level 2 KShs '000	Fair value heirarchy: Level 3 KShs '000	Fair value heirarchy: Total KShs '000
Financial assets measured at fair value										
Equity securities	17 & 21	-	-	85,900	-	**85,900**	20,270	-	65,630	**85,900**
Financial assets not measured at fair value										
Other receivables	24	-	105,587	-	-	**105,587**	-	-	105,587	**105,587**
Deposits with financial institutions and cash and bank balances	25 (i)	-	272,996	-	-	**272,996**	-	-	272,996	**272,996**
		-	**378,583**	**85,900**	**-**	**464,483**	**20,270**	**-**	**444,213**	**464,483**
Financial liabilities not measured at fair value										
Other payables	29	-	-	-	(12,985)	**(12,985)**	-	-	(12,985)	**(12,985)**
Dividend payable	33 (ii)	-	-	-	(369,176)	**(369,176)**	-	-	(369,176)	**(369,176)**
		-	**-**	**-**	**(382,161)**	**(382,161)**	**-**	**-**	**(382,161)**	**(382,161)**

31 December 2016	Note	Carrying Amount: Designated at fair value through profit or loss KShs '000	Carrying Amount: Amortised cost KShs '000	Carrying Amount: Designated at fair value through OCI KShs '000	Carrying Amount: Other financial liabilities KShs '000	Carrying Amount: Total KShs '000	Fair value heirarchy: Level 1 KShs '000	Fair value heirarchy: Level 2 KShs '000	Fair value heirarchy: Level 3 KShs '000	Fair value heirarchy: Total KShs '000
Financial assets measured at fair value										
Equity securities	17 & 21	-	-	39,473	-	**39,473**	11,874	-	27,599	**39,473**
Financial assets not measured at fair value										
Other receivables	24	-	50,206	-	-	**50,206**	-	-	50,206	**50,206**
Deposits with financial institutions and cash and bank balances	25 (i)	-	33,189	-	-	**33,189**	-	-	33,189	**33,189**
		-	**83,395**	**39,473**	**-**	**122,868**	**11,874**	**-**	**110,994**	**122,868**
Financial liabilities not measured at fair value										
Other payables	29	-	-	-	(13,457)	**(13,457)**	-	-	(13,457)	**(13,457)**
Dividend payable	33 (ii)	-	-	-	(325,515)	**(325,515)**	-	-	(325,515)	**(325,515)**
		-	**-**	**-**	**(338,972)**	**(338,972)**	**-**	**-**	**(338,972)**	**(338,972)**

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(ii) Financial risk (continued)

(e) Fair value estimation (continued)

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

- Quoted market prices or dealer quotes for similar instruments.
- 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 3 investment property, quoted equity investments and commercial bonds. The movement in the assets is shown in the respective notes.

(f) Capital risk management

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

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

The table below summarises the minimum required capital across the Group and the capital held against each of them as at 31 December 2016 and 2017. These figures are an aggregate number, being the sum of the statutory share capital in each country subject to local regulatory requirements, which may differ from jurisdiction to jurisdiction.

	2017					
	Kenya	Uganda	Tanzania	Burundi	Mauritius	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Amount of paid up capital	2,500,000	392,706	214,958	92,969	310,465	**3,511,098**
Regulatory capital requirements	1,000,000	228,947	117,442	92,969	275,561	**1,714,919**

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

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

Kenya

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

- Composite insurance companies Shs1billion;
- Short term insurance business companies KShs 600 million; and
- Long term insurance business companies KShs 400 million

Under the Risk Based Solvency requirements, solvency is determined based on the volume of business or implied risk of the asset as determined by the regulator. Insurance companies are required to hold capital equal to 100% of the higher of absolute minimum capital, volume of business or risk based capital minimum. During the year the Company held more than the minimum required capital to stand at 184% (2016:153%) and 147% (2016: 121%) for the short-term and long term business' respectively.

Uganda

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

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

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

The two Ugandan insurance entities were in compliance with the regulatory requirements.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(ii) Financial risk (continued)

(f) Capital risk management (continued)

Tanzania

In Tanzania, capital requirement is regulated by regulations 27 (2) (a) of the Insurance Regulations and 27 (2) (b) on contingency reserve.

General insurance businesses are required to transfer 20% of their net profit to the capital reserve and 3% on the net premium or 20% of net profit, whichever is higher, to the contingency reserve.

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

The two Tanzanian insurance entities were in compliance with the regulatory requirements.

5. SEGMENT INFORMATION

(i) OPERATING SEGMENTS

Management has determined operating segments based on the manner in which the Executive Management team receives reports about business performance and makes strategic decisions. Management classify the business into short-term business and long-term business and investment business.

Segment performance is set out in the following tables:

	GROUP KShs '000			
2017: **For the year ended 31 December 2017**	**Short-term**	**Long-term**	**Investments**	**Total**
Gross written premium and deposit administrtaion contributions	*20,238,405*	*13,701,824*	-	**33,940,229**
Net insurance premium revenue	12,983,755	6,210,109	-	**19,193,864**
Investment and other income	1,699,998	8,325,032	250,801	**10,275,831**
Share of associates profit	161,836	170,773	850,093	**1,182,702**
Total income	**14,845,589**	**14,705,914**	**1,100,894**	**30,652,397**
Net insurance benefits and claims	(8,400,889)	(11,253,007)	-	**(19,653,896)**
Net commission expense	(547,805)	(1,049,635)	-	**(1,597,440)**
Operating and other expenses	(3,042,833)	(1,166,880)	(30,378)	**(4,240,091)**
Total expenses	**(11,991,527)**	**(13,469,522)**	**(30,378)**	**(25,491,427)**
Group profit before income tax	2,854,062	1,236,392	1,070,516	**5,160,970**
Income tax expense	(587,104)	(253,613)	(89,943)	**(930,660)**
Profit for the year	**2,266,958**	**982,779**	**980,573**	**4,230,310**

	KShs '000			
2016: **For the year ended 31 December 2016**	**Short-term**	**Long-term**	**Investments**	**Total**
Gross written premium and deposit administrtaion contributions	*22,613,845*	*11,195,936*	-	**33,809,781**
Net insurance premium revenue	13,131,701	4,725,655	-	**17,857,356**
Investment and other income	999,242	3,622,050	467,226	**5,088,518**
Share of associates profit	180,172	170,101	1,080,479	**1,430,752**
Total income	**14,311,115**	**8,517,806**	**1,547,705**	**24,376,626**
Net insurance benefits and claims	(8,827,727)	(5,413,931)	-	**(14,241,658)**
Net commission expense	(606,086)	(745,340)	-	**(1,351,426)**
Operating and other expenses	(2,935,009)	(1,163,828)	(122,000)	**(4,220,837)**
Total expenses	**(12,368,822)**	**(7,323,099)**	**(122,000)**	**(19,813,921)**
Group profit before income tax	**1,942,293**	**1,194,707**	**1,425,705**	**4,562,705**
Income tax expense	(561,221)	(271,461)	(54,076)	**(886,758)**
Profit for the year	**1,381,072**	**923,246**	**1,371,629**	**3,675,947**

	KShs '000			
2017: **As at 31 December 2017**	**Short-term**	**Long-term**	**Investments**	**Total**
Total assets	29,873,743	65,676,812	9,416,975	**104,967,530**
Total liabilites	18,735,936	60,481,515	519,429	**79,736,880**
Investment in associates	1,789,248	1,861,792	5,928,287	**9,579,327**
Additions to non-current assets	126,480	76,879	597	**203,956**
Depreciation	67,201	36,758	6,362	**110,321**
Amortisation of intangible assets	30,906	3,959	-	**34,865**

	KShs '000			
2016: **As at 31 December 2016**	**Short-term**	**Long-term**	**Investments**	**Total**
Total assets	27,800,317	54,639,742	8,127,684	**90,567,743**
Total liabilites	19,337,729	49,387,000	421,345	**69,146,074**
Investment in associates	1,655,602	1,830,934	5,776,669	**9,263,205**
Additions to non-current assets	159,083	58,001	2,201	**219,285**
Depreciation	57,841	27,412	6,218	**91,471**
Amortisation of intangible assets	30,716	3,385	-	**34,101**

5. SEGMENT INFORMATION (CONTINUED)

(ii) 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					
2017: **For the year ended 31 December 2017**	**Kenya**	**Uganda**	**Tanzania**	**Mauritius**	**Burundi**	**Total**
Total income from short-term	10,998,897	2,225,290	2,237,322	790,134	179,915	**16,431,558**
Total income from long-term	13,657,200	590,820	247,122	-	95,647	**14,590,789**
Total income from investments	14,935	224,889	2	-	10,975	**250,801**
Share of associates profit	596,667	586,035	-	-	-	**1,182,702**
Group profit before income tax	2,806,418	2,106,284	131,282	27,189	89,797	**5,160,970**
Non-current assets	269,732	66,037	75,508	17,636	10,615	**439,528**
Total assets	83,775,100	13,144,115	5,992,655	982,508	1,073,152	**104,967,530**
Total liabilities	68,413,594	5,224,700	4,658,612	696,888	743,086	**79,736,880**

	KShs '000					
2016: **For the year ended 31 December 2016**	**Kenya**	**Uganda**	**Tanzania**	**Mauritius**	**Burundi**	**Total**
Total income from short-term	10,562,022	2,231,123	2,351,755	613,537	206,529	**15,964,966**
Total income from long-term	7,808,238	479,504	211,753	-	48,300	**8,547,795**
Total income from investments	1,363	452,505	(17)	-	13,377	**467,228**
Share of associates profit	762,884	667,868	-	-	-	**1,430,752**
Group profit before income tax	1,513,244	2,649,145	311,936	17,696	70,684	**4,562,705**
Non-current assets	256,934	46,100	57,902	10,971	9,172	**381,079**
Total assets	72,793,020	10,993,796	4,949,449	828,081	1,003,398	**90,567,743**
Total liabilities	59,813,182	4,210,878	3,792,751	592,717	736,546	**69,146,074**

6. GROSS EARNED PREMIUM

Group

Short-term Business						
Premium earned by principal class of business:		**2017**			**2016**	
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Motor	4,428,089	(592,202)	3,835,887	4,317,376	(624,967)	3,692,409
Fire	2,717,537	(2,182,629)	534,908	2,689,415	(2,133,393)	556,022
Accident	3,182,441	(1,802,716)	1,379,725	3,376,077	(1,734,374)	1,641,703
Medical	10,636,543	(3,586,979)	7,049,564	10,872,771	(3,859,910)	7,012,861
Other	545,048	(315,115)	229,933	529,771	(301,064)	228,707
Total Short-Term	**21,509,658**	**(8,479,641)**	**13,030,017**	**21,785,410**	**(8,653,708)**	**13,131,702**

Long-term Business						
Premium earned by principal class of business:		**2017**			**2016**	
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Ordinary life	3,480,978	(13,107)	3,467,871	3,131,932	(8,027)	3,123,905
Group life	1,558,258	(642,236)	916,022	1,730,288	(664,681)	1,065,607
Pension/annuity	1,779,954	-	1,779,954	260,015	-	260,015
Total Long -Term	**6,819,190**	**(655,343)**	**6,163,847**	**5,122,235**	**(672,708)**	**4,449,527**
Total Short-Term and Long - Term	**28,328,848**	**(9,134,984)**	**19,193,864**	**26,907,645**	**(9,326,416)**	**17,581,229**

7. (i) INVESTMENT AND OTHER INCOME

	Group		Company	
	2017 KShs '000	2016 KShs '000	2017 KShs '000	2016 KShs '000
Government securities interest	5,517,275	4,373,728	-	-
Bank deposit interest	688,106	1,041,659	13,006	1,547
Gross rental income from investment properties	516,085	490,275	-	-
Management expenses	(175,020)	(172,929)	-	-
Net rental income from investment properties	341,065	317,346	-	-
Dividends received from equity investments	243,887	224,844	571	574
Fair value gain on investment properties (Note 14)	238,119	413,141	-	-
Policy loans interest	76,529	90,168	-	-
Other income	47,769	78,511	(129)	(2)
Mortgage loan interest	6,775	5,592	-	-
Exchange gain/(loss)	4,239	102,325	(3,653)	(756)
Dividends received from associates	-	-	108,705	48,705
Dividends received from subsidiaries	-	-	798,100	72,509
Realized gains on disposal of quoted equity investments	(1,756)	41,878	-	-
Total	**7,162,008**	**6,689,192**	**916,600**	**122,577**

7. (ii) FAIRVALUE MOVEMENTS ON FINANCIAL ASSETS

Through profit or loss	Group	
	2017 KShs '000	2016 KShs '000
Fair value gain/(loss) on quoted equity investments (Note 21)	2,314,846	(1,744,165)
Fair value gain on unquoted equity investments (Note 17)	385,625	132,039
Total	**2,700,471**	**(1,612,126)**

Through other comprehensive income	Group		Company	
	2017 KShs '000	2016 KShs '000	2017 KShs '000	2016 KShs '000
Fair value gain/(loss) on quoted equity investments (Note 21)	195,682	(387,155)	(3,145)	(4,182)
Fair value gain on unquoted equity investments (Note 17)	97,216	4,034	38,159	4,034
Total	**292,898**	**(383,121)**	**35,014**	**(148)**

8. COMISSION EXPENSE AND INCOME

Group

Comission Payable and Earned

Short-term Business

Commission expense and income by principal class of business:	2017			2016		
	Gross KShs'000	Reinsurance KShs'000	Net KShs'000	Gross KShs'000	Reinsurance KShs'000	Net KShs'000
Motor	480,347	(117,168)	363,179	498,290	(149,690)	348,600
Fire	487,458	(480,118)	7,340	475,434	(460,893)	14,541
Accident	445,096	(400,958)	44,138	485,005	(373,255)	111,750
Medical	808,233	(653,097)	155,136	924,798	(781,067)	143,731
Other	74,475	(96,464)	(21,989)	56,582	(69,119)	(12,537)
Total Short-term	**2,295,609**	**(1,747,805)**	**547,804**	**2,440,109**	**(1,834,024)**	**606,085**

Long-term Business

Commission expense and income by principal class of business:	2017			2016		
	Gross KShs'000	Reinsurance KShs'000	Net KShs'000	Gross KShs'000	Reinsurance KShs'000	Net KShs'000
Ordinary life	776,409	(2,961)	773,448	751,466	(3,271)	748,195
Group life	240,918	(52,687)	188,231	133,722	(196,820)	(63,098)
Annuity	87,957	-	87,957	60,244	-	60,244
Total Long-term	**1,105,284**	**(55,648)**	**1,049,636**	**945,432**	**(200,091)**	**745,341**
Total Short-term and Long-term	**3,400,893**	**(1,803,453)**	**1,597,440**	**3,385,541**	**(2,034,115)**	**1,351,426**

9. CLAIMS AND POLICY HOLDER BENEFITS EXPENSE

Group

Claims & Policy Holder Benefits Payable

Short-term Business						
Claims payable by principal class of business		**2017**			**2016**	
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Motor	2,522,015	(304,759)	2,217,256	2,569,027	(367,364)	2,201,663
Fire	1,175,958	(1,017,488)	158,470	1,412,618	(1,281,292)	131,326
Accident	1,738,409	(1,030,988)	707,421	1,689,569	(935,094)	754,475
Medical	7,585,981	(2,718,733)	4,867,248	8,625,734	(2,946,643)	5,679,091
Other	213,035	(117,059)	95,976	111,853	(50,678)	61,175
Total Short-term	**13,235,398**	**(5,189,027)**	**8,046,371**	**14,408,801**	**(5,581,071)**	**8,827,730**
Long-term Business						
Claims payable by principal class of business		**2017**			**2016**	
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Ordinary life	1,227,923	(8,677)	1,219,246	995,644	(17,312)	978,332
Group life	976,490	(275,676)	700,814	1,079,420	(366,824)	712,596
Annuity	758,671	-	758,671	635,536	-	635,536
Total Long-term	**2,963,084**	**(284,353)**	**2,678,731**	**2,710,600**	**(384,136)**	**2,326,464**
		2017			**2016**	
Increase/(decrease) in policy holders benefits	**Gross**	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Ordinary life	1,936,247	-	1,936,247	1,130,900	-	1,130,900
Group life	(63,266)	-	(63,266)	287,591	-	287,591
Annuity	7,055,813	-	7,055,813	1,668,973	-	1,668,973
Total Long-term	**8,928,794**	**-**	**8,928,794**	**3,087,464**	**-**	**3,087,464**
Total Long-term - Claims & policy holders benefits	**11,891,878**	**(284,353)**	**11,607,525**	**5,798,064**	**(384,136)**	**5,413,928**
Total Short-term and Long-term	**25,127,276**	**(5,473,380)**	**19,653,896**	**20,206,865**	**(5,965,207)**	**14,241,658**

10. OPERATING EXPENSES

10. (i) OPERATING AND OTHER EXPENSES

The breakdown of operating expenses is given below:

	Group		**Company**	
	2017	**2016**	**2017**	**2016**
	KShs '000	**KShs '000**	**KShs '000**	**KShs '000**
Employee benefits expense (Note 10 (ii))	2,116,810	2,090,274	2,060	10,269
Administrative costs	525,065	726,589	3,280	28,525
Premium tax and policy holder compensation fund	234,599	60,509	-	-
Impairment charge for doubtful premium receivables (Note 4 (ii) (c))	117,609	271,534	-	-
Operating lease rentals - land and buildings	194,575	161,642	(35,184)	18,027
Marketing costs	322,435	219,125	-	-
Professional fees	335,266	113,739	9,564	11,115
Depreciation and amortisation (Note 13)	145,186	125,572	6,146	5,969
Travelling costs	103,702	360,692	9,895	5,131
Repairs and maintenance expenditure	54,604	33,944	222	(74)
Communication costs	58,989	33,968	487	4,141
Auditors' remuneration	31,251	23,249	2,275	2,297
Total	**4,240,091**	**4,220,837**	**(1,255)**	**85,400**

10. OPERATING EXPENSES (CONTINUED)

10. (ii) EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2017	2016	2017	2016
	KShs '000	KShs '000	KShs '000	KShs '000
Salaries and wages	1,734,882	1,667,770	(398)	6,841
Social security costs	49,398	46,901	-	-
Retirement benefit costs – defined contribution plan	94,205	88,406	-	-
Other benefits	238,325	287,197	2,458	3,428
Total	**2,116,810**	**2,090,274**	**2,060**	**10,269**

* Other benefits include staff training, staff medical cover expenses, club subscriptions, staff relocation and other staff welfare expenses. As at 31 December 2017 a total of 1,017 (2016: 986) and 8 (2016:9) staff were employed within the Group and the Company respectively.

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

	Group		Company	
Key management compensation & directors fees	2017	2016	2017	2016
	KShs '000	KShs '000	KShs '000	KShs '000
Salaries and other employment benefits	628,228	440,330	-	-
Fees for services as directors	5,550	5,784	3,745	3,491
Total	**633,778**	**446,114**	**3,745**	**3,491**

There were no loans given to Directors in the year ended 31 December 2017 (2016: Nil).

11. INCOME TAX EXPENSE

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

	Group		Company	
	2017	2016	2017	2016
	KShs '000	KShs '000	KShs '000	KShs '000
Profit before income tax	5,160,970	4,562,705	915,006	37,177
Tax calculated at the enacted domestic tax rate 30%	1,801,635	1,397,513	274,502	11,153
Tax calculated at the enacted domestic tax rate 15%	4,078	-	-	-
Effect of :				
Income not subject to income tax	(1,072,232)	(710,050)	(288,396)	(41,442)
Expenses not deductible for tax purposes	205,237	226,916	17,581	28,768
Prior year over provision	(8,058)	(27,621)	-	(976)
Income tax charge	**930,660**	**886,758**	**3,687**	**(2,497)**
Current income tax	954,706	1,036,680	3,928	(773)
Deferred income tax (Note 16)	(24,046)	(149,922)	(241)	(1,724)
	930,660	**886,758**	**3,687**	**(2,497)**

11. INCOME TAX EXPENSE (CONTINUED)

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

	Group		Company	
	2017	2016	2017	2016
	KShs '000	KShs '000	KShs '000	KShs '000
At start of year	15,119	182,355	(10,004)	(8,811)
Taxation charge	1,006,812	1,008,874	3,928	203
Prior year (over)/under provision	(52,106)	27,806	-	(976)
Taxation paid	(1,041,320)	(1,203,916)	(1,585)	(420)
At end of year	**(71,495)**	**15,119**	**(7,661)**	**(10,004)**

Disclosed as follows:

	Group		Company	
	2017	2016	2017	2016
	KShs '000	KShs '000	KShs '000	KShs '000
Current income tax asset	(142,478)	(124,014)	(7,661)	(10,004)
Current income tax liability	70,983	139,133	-	-
Total	**(71,495)**	**15,119**	**(7,661)**	**(10,004)**

12. EARNINGS PER SHARE

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

	Group	
	2017	2016
Net profit attributable to Shareholders (KShs'000)	3,932,142	3,296,625
Number of ordinary shares in issue ('000)	72,473	72,473
Earnings per share (KShs)-Basic and diluted	**54.26**	**45.49**

There were no potentially dilutive shares in issue at 31 December 2017 and 31 December 2016. Diluted earnings per share are therefore the same as basic earnings per share.

13. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

(i) PROPERTY AND EQUIPMENT

Group

Property and Equipment

2017: Year ended 31 December 2017	Computer equipment KShs '000	Motor vehicles KShs '000	Furniture, fixtures, fittings & office equipment KShs '000	Total KShs '000
Cost				
At start of year	427,413	68,758	391,977	**888,148**
Additions	82,027	13,788	78,227	**174,042**
Disposals	-	(2,009)	-	**(2,009)**
Exchange differences	(100)	(159)	(418)	**(677)**
At end of year	**509,340**	**80,378**	**469,786**	**1,059,504**
Accumulated depreciation				
At start of year	365,573	46,571	258,350	**670,494**
Charge for the year	53,952	7,621	48,748	**110,321**
Disposals	-	(1,856)	-	**(1,856)**
Exchange differences	13	(434)	(222)	**(643)**
At end of year	**419,538**	**51,902**	**306,877**	**778,317**
Net book value	**89,802**	**28,476**	**162,909**	**281,187**

2016: Year ended 31 December 2016

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

13. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)

(i) PROPERTY AND EQUIPMENT (CONTINUED)

Company

Property and Equipment

2017: Year ended 31 December 2017	Computer equipment KShs '000	Furniture, fixtures, fittings & office equipment KShs '000	Total KShs '000
Cost			
At start of year	2,350	36,368	**38,718**
Additions	336	261	**597**
At end of year	**2,686**	**36,629**	**39,315**
Accumulated depreciation			
At start of year	978	14,911	**15,889**
Charge for the year	828	5,317	**6,145**
At end of year	**1,806**	**20,228**	**22,034**
Net book value	**880**	**16,401**	**17,281**

2016: Year ended 31 December 2016	Computer equipment KShs '000	Furniture, fixtures, fittings & office equipment KShs '000	Total KShs '000
Cost			
At start of year	385	36,159	**36,544**
Additions	1,965	209	**2,174**
At end of year	**2,350**	**36,368**	**38,718**
Accumulated depreciation			
At start of year	262	9,657	**9,919**
Charge for the year	716	5,254	**5,970**
At end of year	**978**	**14,911**	**15,889**
Net book value	**1,372**	**21,457**	**22,829**

13. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)

(ii) INTANGIBLE ASSETS

Group

	Total
2017:	**KShs '000**
Year ended 31 December 2017	
Cost	
At start of year	236,645
Additions	29,914
Exchange differences	738
At end of year	**267,297**
Accumulated amortisation	
At start of year	73,220
Charge for the year	34,865
Exchange differences	871
At end of year	**108,956**
Net carrying amount	**158,341**

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

Intangible assets relates to computer software.

14. INVESTMENT PROPERTIES

Group

	2017	2016
	KShs '000	**KShs '000**
At start of year	6,011,881	5,535,330
Net additions	28,341	162,731
Fair value gains (Note 7)	238,119	413,141
Exchange differences	(7,401)	(99,321)
At end of year	**6,270,940**	**6,011,881**

Investment property comprises a number of commercial properties that are leased to third parties. Investment property for the Group was valued by Redfearn International Limited on the basis of open market value. Investment properties include properties situated within Kenya valued at KShs 4,378 million (2016: KShs 4,180 million) and those outside Kenya valued at KShs 1,893 million (2015: KShs 1,832 million). Refer to Note 37 on operating leases for net operating income in profit or loss from investment properties.

14. INVESTMENT PROPERTIES (CONTINUED)

The investment properties are leased to third parties under operating leases and partly occupied by the Group. No contingent rents are charged.

There is neither restriction on the realisability of the investment properties nor are there contractual obligations pegged to the investment properties.

All investment properties as at the end of the year are measured at fair value. In arriving at the open market value of the lettable properties, the valuer obtains the realised value of recent property sales of similar properties and compares with the carrying value of the investment property. The investment properties are disclosed at level 2 of the fair value measurement hierarchy.

Given that the valuer uses actual sales data in performing the valuation, any changes in the market interest rates or rental income would not result in any significant change in the carrying value of investment property.

15. INVESTMENT IN ASSOCIATED COMPANIES AND SUBSIDIARIES

In determining the Group's and Company's significant control over the investments in associates it considered that they have:
- power over the associates and subsidiaries based on the shareholding;
- exposure, or rights, to variable returns from their involvement with the associates and subsidiaries; and
- the ability to use their power over the associates and subsidiaries to affect the amount of the its returns, based on representation with the various entity Boards.

(i) INVESTMENT IN ASSOCIATES

The Group has invested in thee associate companies whose information is pending as follows:

IPS Power Investment Limited - 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 - an investment vehicle company which through its subsidiary has invested in the equity of Bujagali Energy Limited an electricity generating company in Uganda.

PDM (Holding) Limited - an investment vehicle company which has invested in the equity of Property Development and Management (K) Limited which conducts property investment, development and management. The Jubilee insurance Company of Kenya owns 37.1% of this Company.

FCL Holdings Limited - an investment vehicle company which has invested in the equity of Farmers Choice Limited with its main objective being sale of fresh and processed meat products.

IPS Cable Systems Limited - an investment vehicle company which has invested in the 15,000 km Seacom submarine fiber optic cable project.

All of the above entities have been accounted for as associates based on the percentage holding the Group has in the companies that gives the Group control through voting rights and representation in the respective Boards.

Movement in Net Assets
Group

	Opening Balance	Additions/ (redemptions)	Dividends received	Share of profit	Share of OCI	Translation (loss)/gain	Closing Balance
Year 2017	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
IPS Power Investments Ltd	**198,887**	-	(110,696)	10,244	-	-	**98,435**
PDML (Holding) Limited	**2,184,599**	-	(9,985)	158,028	75,345	-	**2,407,987**
Bujagali Holding Power Company Limited	**2,282,893**	(580,554)	-	586,035	-	(24,071)	**2,264,303**
FCL Holding Ltd	**2,206,143**	-	(217,410)	328,674	(28,126)	-	**2,289,281**
IPS Cable Systems Ltd	**2,390,683**	-	-	99,721	-	28,917	**2,519,321**
Total	**9,263,205**	**(580,554)**	**(338,091)**	**1,182,702**	**47,219**	**4,846**	**9,579,327**

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

Equity accounting has been applied for the associates in these financial statements using results based on audited financial statements as at 31 December 2017.

15. INVESTMENT IN ASSOCIATES AND SUBSIDIARIES (CONTINUED)

(i) INVESTMENT IN ASSOCIATES (CONTINUED)

Company

Investment at cost	2017 KShs'000	2016 KShs'000
FCL Holding Ltd	484,969	484,969
IPS Cable Systems Ltd	353,282	353,282
Total	**838,251**	**838,251**

The following table summarizes the information relating to each of the Group's associate:

Group

	IPS Power Investments Limited KShs'000	PDML Holdings Limited KShs'000	Bujagali Holding Power Company Limited KShs'000	Farmer's Choice Limited KShs'000	IPS Cable Systems Limited KShs'000	Total KShs'000
Country of incorporation	**Kenya**	**Kenya**	**Uganda**	**Kenya**	**Mauritius**	
Interest held	**27%**	**37%**	**25%**	**30%**	**33%**	
Year 2017						
Non-current assets	1,253,897	8,460,760	8,795,563	3,214,626	9,162,746	30,887,592
Current assets	103,169	1,327,876	332,537	3,592,215	226,940	5,582,737
Non-current liabilities	-	(2,159,546)	-	(803,079)	(380,394)	(3,343,019)
Current liabilities	(20,331)	(582,666)	(64,817)	(592,358)	(409,525)	(1,669,697)
Net assets	**1,336,735**	**7,046,424**	**9,063,283**	**5,411,404**	**8,599,767**	**31,457,613**
Revenue	485,683	651,619	2,317,606	9,488,422	403,179	13,346,509
Profit after tax	485,353	468,631	2,348,309	997,135	340,528	4,639,956
Other comprehensive income	-	169,439	-	-	-	169,439
Cash flows from/(used in) operating activities	138,955	762,719	46,588	948,193	(8,191)	1,888,264
Cash flows from/(used in) investing activities	593,240	(670,995)	91,997	(92,468)	403,178	324,952
Cash flows (used in)/from financing activities	(697,128)	5,389	(1,701,478)	(725,000)	(821,429)	(3,939,646)
Net increase/(decrease) in cash and cash equivalents	**35,067**	**97,113**	**(1,562,893)**	**130,725**	**(426,442)**	**(1,726,430)**
Year 2016						
Non-current assets	1,347,508	8,203,383	8,935,580	3,304,958	9,054,440	30,845,869
Current assets	185,464	483,418	2,862,329	3,167,960	647,017	7,346,188
Non-current liabilities	-	(1,849,039)	-	(860,268)	(758,219)	(3,467,526)
Current liabilities	(272)	(399,683)	(161,893)	(478,536)	(782,709)	(1,823,093)
Net assets	**1,532,700**	**6,438,079**	**11,636,016**	**5,134,114**	**8,160,529**	**32,901,438**
Revenue	449,011	579,918	2,131,243	8,638,577	943,956	12,742,705
Profit after tax	448,666	609,310	2,288,568	916,096	855,997	5,118,637
Other comprehensive income	-	(116,852)	-	93,751	-	(23,101)
Cash flows (used in)/from operating activities	(130,051)	311,712	(695,549)	527,061	(4,935)	8,238
Cash flows from/(used in) investing activities	607,786	(822,014)	2,469,780	(102,393)	943,956	3,097,115
Cash flows (used in)/from financing activities	(424,068)	728,940	-	(325,000)	(834,572)	(854,700)
Net increase in cash and cash equivalents	**53,667**	**218,638**	**1,774,231**	**99,668**	**104,449**	**2,250,653**

15. INVESTMENT IN ASSOCIATES AND SUBSIDIARIES (CONTINUED)

(i) INVESTMENT IN ASSOCIATES (CONTINUED)

Company

	Farmer's Choice Limited	IPS Cable Systems Limited	Total
	KShs'000	KShs'000	KShs'000
Country of incorporation	**Kenya**	**Mauritius**	
Interest held	**30%**	**33%**	
Year 2017			
Non-current assets	3,214,626	9,162,746	12,377,372
Current assets	3,592,215	226,940	3,819,155
Non-current liabilities	(803,079)	(380,394)	(1,183,473)
Current liabilities	(592,358)	(409,525)	(1,001,883)
Net assets	**5,411,404**	**8,599,767**	**14,011,171**
Revenue	9,488,422	403,179	9,891,601
Profit after tax	997,135	340,528	1,337,663
Other comprehensive income	-	-	-
Cash flows from/(used in) operating activities	948,193	(8,191)	940,002
Cash flows (used in)/from investing activities	(92,468)	403,178	310,710
Cash flows used in financing activities	(725,000)	(821,429)	(1,546,429)
Net increase/(decrease) in cash and cash equivalents	**130,725**	**(426,442)**	**(295,717)**

	Farmer's Choice Limited	IPS Cable Systems Limited	Total
	KShs'000	KShs'000	KShs'000
Year 2016			
Non-current assets	3,304,958	9,054,440	12,359,398
Current assets	3,167,960	647,017	3,814,977
Non-current liabilities	(860,268)	(758,219)	(1,618,487)
Current liabilities	(478,536)	(782,709)	(1,261,245)
Net assets	**5,134,114**	**8,160,529**	**13,294,643**
Revenue	8,638,577	943,956	9,582,533
Profit after tax	916,096	855,997	1,772,093
Other comprehensive income	93,751	-	93,751
Cash flows from/(used in) operating activities	527,061	(4,935)	522,126
Cash flows (used in)/from investing activities	(102,393)	943,956	841,563
Cash flows used in financing activities	(325,000)	(834,572)	(1,159,572)
Net decrease in cash and cash equivalents	**99,668**	**104,449**	**204,117**

15. INVESTMENT IN ASSOCIATES AND SUBSIDIARIES (CONTINUED)

(ii) INVESTMENT IN SUBSIDIARIES

Company	Investment at Cost 2017 KShs'000	Investment at Cost 2016 KShs'000	Equity Held 2017 %	Equity Held 2016 %
Jubilee Insurance Company of Kenya Limited	450,000	450,000	100%	100%
Jubilee Insurance Company of Tanzania Limited	36,456	36,456	51%	51%
Jubilee Life Insurance Corporation of Tanzania Limited	36,456	36,455	51%	51%
Jubilee Insurance Company of Uganda Limited	12,598	12,598	30%	30%
Jubilee Life Insurance Company of Uganda Limited	12,598	12,597	30%	30%
Jubilee Insurance (Mauritius) Limited	197,467	197,467	70%	70%
Jubilee Investment Company Limited (Uganda)	1,103,707	1,103,707	100%	100%
Jubilee Investment Company Limited (Tanzania)	23,981	298	100%	100%
Jubilee Investment Company Limited (Burundi)	1,312	1,312	100%	100%
Total	**1,874,573**	**1,850,890**		

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

(iii) NON CONTROLLING INTEREST(NCI)

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

Year 2017	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	Total KShs'000
NCI percentage	**35%**	**49%**	**20%**	**30%**	**20%**	
Assets	7,932,170	6,008,491	982,508	958,748	127,300	16,009,217
Liabilities	(5,150,063)	(4,843,010)	(700,881)	(727,452)	(87,373)	(11,508,779)
Net assets	**2,782,107**	**1,165,481**	**281,627**	**231,296**	**39,927**	**4,500,438**
Carrying amount of NCI	**973,738**	**571,087**	**56,325**	**69,389**	**7,985**	**1,678,524**
Revenue	1,876,845	1,789,178	730,190	139,091	10,975	4,546,279
Profit	578,476	141,857	21,680	67,138	8,576	817,727
OCI	8,391	11,151	30,844	(8,580)	(2,289)	39,517
Total comprehensive income	**586,867**	**153,008**	**52,524**	**58,558**	**6,287**	**857,244**
Profit allocated to NCI	202,466	69,510	4,336	20,141	1,715	298,168
OCI allocated to NCI	(142,304)	59,017	68,657	26,621	(453)	11,538
Dividends paid to NCI	(78,052)	(28,917)	-	-	-	(106,969)
Total allocated to NCI	**(17,890)**	**99,610**	**72,993**	**46,762**	**1,262**	**202,737**
Cash flows from/(used in) operating activities	1,152,940	496,227	(16,122)	26,476	(6,051)	1,653,470
Cash flows (used in)/from investing activities	(721,894)	(433,960)	(53,589)	(367,072)	10,675	(1,565,840)
Cash flows used in financing activities	(223,199)	(59,015)	-	-	-	(282,214)
Net increase/(decrease) in cash and cash equivalents	**207,847**	**3,252**	**(69,711)**	**(340,596)**	**4,624**	**(194,584)**

15. INVESTMENT IN ASSOCIATED COMPANIES AND SUBSIDIARIES (CONTINUED)

(iii) NON CONTROLLING INTEREST (CONTINUED)

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

Jubilee Insurance Uganda. Jubilee Insurance Tanzania and Jubilee Insurance Burundi include The Jubilee Insurance Company of Uganda Limited and Jubilee Life Insurance Company of Uganda Limited, The Jubilee Insurance Company of Tanzania Limited and Jubilee Life Insurance Corporation of Tanzania Limited, and, The Jubilee Insurance Company of Burundi S.A. and Jubilee Life Insurance Company of Burundi S.A respectively.

Movement in the non-controlling interest is as follows:

	2017	2016
	KShs '000	KShs '000
At start of year	1,475,787	1,283,166
Share of total comprehensive income for the year	202,737	192,621
At end of year	**1,678,524**	**1,475,787**

16. DEFERRED INCOME TAX

Deferred income tax is calculated, in full, on all temporary differences using a principal tax rate of 30% (2016: 30%) in all countries save for Mauritius where rate is 17%. The movement in the deferred income tax account is as follows:

	Group		Company	
	2017	2016	2017	2016
	KShs '000	KShs '000	KShs '000	KShs '000
At start of year	(16,498)	123,510	(4,229)	(2,505)
Recognised in profit or loss	(24,046)	(149,923)	(241)	(1,724)
Recognised in OCI	87,589	(7,604)	10,504	-
Prior year over provision	(38,768)	17,519	-	-
At end of year	**8,277**	**(16,498)**	**6,034**	**(4,229)**
Deferred tax asset	(191,273)	(179,687)	-	(4,229)
Deferred tax liability	199,550	163,189	6,034	-
Net deferred income tax liability/(asset)	**8,277**	**(16,498)**	**6,034**	**(4,229)**

16. DEFERRED INCOME TAX (CONTINUED)

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

	Group				Company			
	KShs '000				KShs '000			
	1 January 2017	Charged to profit or loss	Charged to OCI	31 December 2017	1 January 2017	Charged to profit or loss	Charged to OCI	31 December 2017
Fair value gains on investment properties	141,414	(19,431)	78	122,061	-	-	-	-
Accelerated depreciation	27,755	(39,046)	(60)	(11,351)	-	-	-	-
Impairment provisions	(124,150)	27,576	-	(96,574)	-	-	-	-
Other deductible temporary differences	(61,517)	(31,913)	87,571	(5,859)	(4,229)	(241)	10,504	6,034
Net deferred income tax liability/(asset)	**(16,498)**	**(62,814)**	**87,589**	**8,277**	**(4,229)**	**(241)**	**10,504**	**6,034**
	1 January 2016	**Charged to profit or loss**	**Charged to OCI**	**31 December 2016**	**1 January 2016**	**Charged to profit or loss**	**Charged to OCI**	**31 December 2016**
Fair value gains on investment properties	149,099	(7,685)	-	141,414	-	-	-	-
Accelerated depreciation	60,512	(32,757)	-	27,755	-	-	-	-
Impairment provisions	(48,712)	(75,438)	-	(124,150)	-	-	-	-
Other deductible temporary differences	(37,389)	(16,524)	(7,604)	(61,517)	(2,505)	(1,724)	-	(4,229)
Net deferred income tax liability/(asset)	**123,510**	**(132,404)**	**(7,604)**	**(16,498)**	**(2,505)**	**(1,724)**	**-**	**(4,229)**

17. UNQUOTED EQUITY INVESTMENTS

Group

	FV Through P/L	FV Through OCI	Total	FV Through P/L	FV Through OCI	Total
	2017	2017	2017	2016	2016	2016
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At start of year	2,805,049	104,875	2,909,924	2,675,147	104,445	2,779,592
Disposals	(33,042)	(129)	(33,171)	(2,137)	(1,360)	(3,497)
Fair value gain through other comprehensive income	-	97,216	97,216	-	4,034	4,034
Fair value gain through profit and loss	385,625	-	385,625	132,039	-	132,039
Exchange differences	-	(1,591)	(1,591)	-	(2,244)	(2,244)
At end of year	**3,157,632**	**200,371**	**3,358,003**	**2,805,049**	**104,875**	**2,909,924**

Valuation of unquoted shares

The Group uses valuation techniques for valuing unquoted shares that are not based on observable market data. The Group reviewed several valuation techniques and selected a value that is based on discounted cash flow.

Valuation technique	Significant unobservable inputs	Inter-relationships between unobservable inputs and fair value measurements
Discounted cash flows: The valuation model considers the present value of net cash flows to be generated by the unquoted entities. The net cash flows are discounted using the risk adjusted discount rate.	1. Expected growth rate of the earnings of 7%. 2. Discount rate used on the expected cashflow – 14.18% (2016: 12.5%).	The estimated fair values would increase/(decrease) if: 1. Expected earnings and cash flows growth were higher/(lower). 2. Risk-adjusted discount rate was lower/(higher).

The growth rate is the projected long-term inflation rate in Kenya while discount rate is based on the risk free rate and a specific margin based in the industry. Has the discount rate increased/decreased by 10% with all other variables held constant, the post-tax profit for the year would have been KShs 161 million (2016: 71 million) higher/lower.

17. UNQUOTED EQUITY INVESTMENTS (CONTINUED)

Company

	FV Through OCI 2017 KShs'000	FV Through OCI 2016 KShs'000
At start of year	27,599	23,565
Disposals	(128)	-
Fair value gain through other comprehensive income	38,159	4,034
At end of year	**65,630**	**27,599**

18. GOVERNMENT SECURITIES AT AMORTISED COST

Group

Movement	**2017 KShs '000**	**2016 KShs '000**
At start of year	39,666,112	29,604,698
Additions	9,434,190	14,672,708
Maturities	(1,874,532)	(4,471,541)
Exchange differences	(30,548)	(139,753)
At end of year	**47,195,222**	**39,666,112**
Maturity Profile		
Treasury bills maturing within 91 days after the date of acquisition	2,693,315	114,266
Treasury bills maturing after 91 days after the date of acquisition	339,123	2,142,334
Treasury bonds maturing within 1 year	4,591,298	3,518,101
Treasury bonds maturing in 1-5 years	10,842,382	10,423,510
Treasury bonds maturing after 5 years	28,729,104	23,467,901
Total	**47,195,222**	**39,666,112**

Treasury bonds of KShs 3.7 billion (2016: KShs 3.7 billion) are held under lien with the Central Bank of Kenya as security deposit in favor of the Insurance Regulatory Authority as required under the provisions of Section 32 of Kenya Insurance Act, an equivalent of KShs 25.6million (2016: KShs 25.1million) are held under lien with the Bank of Uganda as security deposit in favor of the Insurance Regulatory Authority Uganda as required under the provisions of section 7 (i) of Uganda Insurance Act and an equivalent of KShs 141.2 million (2016: KShs 141.2 million) are held under lien with the Bank of Tanzania as security deposit in favor of the Tanzania Insurance Regulatory Authority as required under the provisions of Tanzania Insurance Act.

In Kenya a further Ksh 200m worth of Treasury Bonds were held under lien with Diamond Trust Bank Limited as security for Bank overdraft facility for Ksh 30 million and Letters of Credit facility for KShs 170m.

19. COMMERCIAL BONDS AT AMORTISED COST

Group

	2017 KShs '000	**2016 KShs '000**
At start of year	1,423,678	1,859,070
Additions	20,609	-
Maturities	(540,280)	(435,098)
Exchange differences	-	(294)
At end of year	**904,007**	**1,423,678**
Maturity profile		
Commercial bonds maturing		
Within 1 year	-	209,737
In 1-5 years	904,007	1,213,941
Total	**904,007**	**1,423,678**

20. LOANS RECEIVABLE

Group

i) Mortgage loans	2017	2016
Movement	**KShs '000**	**KShs '000**
At start of year	79,869	67,524
Loans advanced	75,974	16,943
Accrued interest and penalties	7,201	5,989
Provision for impairment	(540)	(619)
Loan repayments	(52,731)	(9,799)
Exchange differences	(675)	(169)
At end of year	**109,098**	**79,869**
Maturity profile		
Loans maturing		
Within 1 year	21,275	-
In 1-5 years	19,070	5,283
In over 5 years	68,753	74,586
Total	**109,098**	**79,869**

Group

ii) Loans on life insurance policies	2017	2016
Movement	**KShs '000**	**KShs '000**
At start of year	716,367	495,153
Loans advanced	167,638	184,060
Interest	51,032	99,282
Loan repayments	(146,003)	(61,811)
Exchange differences	(76)	(317)
At end of year	**788,958**	**716,367**
Maturity profile		
Loans maturing		
Within 1 year	119,902	63,400
In 1-5 years	439,185	329,997
In over 5 years	229,871	322,970
Total	**788,958**	**716,367**

21. QUOTED EQUITY INVESTMENTS

Group

	FV Through P/L 2017 KShs'000	FV Through OCI 2017 KShs'000	Total 2017 KShs'000	FV Through P/L 2016 KShs'000	FV Through OCI 2016 KShs'000	Total 2016 KShs'000
At start of year	4,644,331	983,598	**5,627,929**	6,446,523	1,377,303	**7,823,826**
Additions	9,620	97,190	**106,810**	58,374	1,360	**59,734**
Disposals	(115,194)	-	**(115,194)**	(116,401)	-	**(116,401)**
Fair value gain/(loss) through other comprehensive income	-	195,682	**195,682**	-	(387,155)	**(387,155)**
Fair value gain/(loss) through profit or loss	2,314,846	-	**2,314,846**	(1,744,165)	-	**(1,744,165)**
Exchange differences	-	222	**222**	-	(7,910)	**(7,910)**
At end of year	**6,853,603**	**1,276,692**	**8,130,295**	**4,644,331**	**983,598**	**5,627,929**

21. QUOTED EQUITY INVESTMENTS (CONTINUED)

Company

	FV Through OCI 2017 KShs'000	FV Through OCI 2016 KShs'000
At start of year	11,874	16,056
Additions	11,541	-
Fair value loss through other comprehensive income	(3,145)	(4,182)
At end of year	**20,270**	**11,874**

22. REINSURERS' SHARE OF INSURANCE CONTRACT LIABILITIES

Group

	2017	2016
Reinsurers' share of:	KShs '000	KShs '000
- Unearned premium (Note 28)	3,089,500	3,019,300
- Notified claims outstanding and IBNR (Note 36)	4,161,063	3,872,660
Total	**7,250,563**	**6,891,960**

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

23. DEFERRED ACQUISITION COSTS

Group

	2017 KShs '000	2016 KShs '000
At start of year	221,842	264,081
Net decrease	(80,752)	(45,665)
Exchange differences	6,042	3,426
At end of year	**147,132**	**221,842**

24. OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	KShs '000	KShs '000	KShs '000	KShs '000
Deposits - Office rent and utilities	96,857	112,410	-	-
Prepayments	193,116	85,994	-	1,500
Recoverable advances	7,566	4,844	-	-
Dividends receivable	154,083	79,368	108,705	48,706
Advance medical payment	86,725	112,197	-	-
Sundry debtors*	542,295	846,252	1,211	-
Total	**1,080,642**	**1,241,065**	**109,916**	**50,206**

*Sundry debtors includes staff loans, third party fund recoverable and deposits paid on rental offices among others.

25. (i) DEPOSITS WITH FINANCIAL INSTITUTIONS

	Group		Company	
	2017	2016	2017	2016
	KShs '000	KShs '000	KShs '000	KShs '000
Maturity Profile				
Deposits maturing within 90 days after balance sheet date	8,408,173	4,496,169	250,098	12,345
Deposits maturing between 3 months to 1 year	2,177,424	2,751,454	-	-
Total	**10,585,597**	**7,247,623**	**250,098**	**12,345**

25. (ii) CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2017	2016	2017	2016
	KShs '000	KShs '000	KShs '000	KShs '000
Cash and bank balances	1,517,872	964,960	22,898	20,844
Short-term deposits with banks	10,585,597	7,247,623	250,098	12,345
Treasury bills maturing within 91 days after the date of acquisition	2,693,315	114,266	-	-
Total	**14,796,784**	**8,326,849**	**272,996**	**33,189**

25. (iii) OPERATING CASH FLOW

Group

	2017	2016
	KShs '000	KShs '000
Cash flow from operating activities		
Profit before income tax	**5,160,970**	**4,562,705**
Adjustments for: -		
Depreciation and amortisation	145,186	125,572
Impairment of insurance receivables	-	271,534
Fair value (gains)/losses on financial assets at fair value through profit and loss	(2,700,471)	1,612,126
Fair value gain on investment properties	(238,119)	(413,141)
Net fair value gains/(losses) on disposal	1,756	(41,878)
Interest and other income	(6,340,693)	(5,691,983)
Dividend receivable	(243,887)	(224,844)
Fee income	(413,352)	(287,579)
Rental income	(341,065)	(317,346)
Share of result of associates after income tax	(1,182,702)	(1,430,752)
Operating profit before working capital changes	**(6,152,377)**	**(1,835,586)**
Receivables arising out of direct insurance arrangements	605,959	(595,805)
Receivables arising out of reinsurance arrangements	(266,009)	(625,945)
Reinsurers' share of insurance contract liabilities	(358,603)	(250,381)
Deferred acquisition costs	74,708	42,239
Other receivables	160,422	(205,469)
Insurance contract liabilities	4,702,443	1,529,864
Payable under deposit administration contracts	6,639,336	4,205,646
Unearned premium reserve	(1,137,587)	948,138
Creditors arising out of direct insurance arrangements	32,706	155,433
Creditors arising out of reinsurance arrangements	670,669	(113,229)
Other payables	84,721	(376,397)
Cash generated from operations	**5,056,388**	**2,878,508**

26. INSURANCE CONTRACT LIABILITIES

	2017 KShs '000	2016 KShs '000
Short-Term insurance contracts		
Claims reported and claims handling expenses	5,870,122	5,766,775
Claims incurred but not reported (IBNR)	1,902,151	1,675,727
Total Short-Term	**7,772,273**	**7,442,502**
Long-Term insurance contracts		
Claims reported and claims handling expenses	1,007,119	1,054,074
Actuarial value of long term liabilities	16,204,112	11,784,485
Total Long-Term	17,211,231	12,838,559
Total Short-Term and Long-Term	**24,983,504**	**20,281,061**

Gross claims reported, claims handling expense liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvage and subrogation. The expected recoveries at the end of 2017 and 2016 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.

Insurance Contract Liabilities

Short-term insurance contracts

Accident year	**2013 and prior** **KShs'000**	**2014** **KShs'000**	**2015** **KShs'000**	**2016** **KShs'000**	**2017** **KShs'000**	**Total** **KShs'000**
Estimate of ultimate claims cost						
At end of accident year	17,998,241	9,381,454	11,321,456	12,518,572	9,841,479	**61,061,202**
One year later	18,921,599	10,163,139	11,943,671	14,271,233	-	**55,299,642**
Two years later	18,058,396	10,105,185	11,908,080	-	-	**40,071,661**
Three years later	18,087,156	10,217,099	-	-	-	**28,304,255**
Four years later	18,301,522	-	-	-	-	**18,301,522**
Incurred per accident year	18,301,522	10,217,099	11,908,080	14,271,233	9,841,479	**64,539,413**
Less: cumulative payments to date	(17,783,189)	(9,919,009)	(11,483,633)	(12,655,148)	(6,828,312)	**(58,669,291)**
Total gross claims liability included in the statement of financial position before IBNR	**518,333**	**298,090**	**424,447**	**1,616,085**	**3,013,167**	**5,870,122**
Incurred but not reported (IBNR)	-	-	-	-	1,902,151	**1,902,151**
Total gross claims liability included in the statement of financial position	**518,333**	**298,090**	**424,447**	**1,616,085**	**4,915,318**	**7,772,273**

26. 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. The cash flows for each individual policy were projected on monthly intervals, till natural expiry of the policies. A margin for risk and uncertainty is added to these assumptions. The liabilities are determined on the advice of the consulting actuary and actuarial valuations carried out on an annual basis.

Valuation assumptions

The latest actuarial valuation for the long-term business was carried out as at 31 December 2017 by Actuarial Partners Consultants. Two valuation methods were applied; the Net Premium Value (NPV) for entities outside Kenya and the Gross Premium Valuation (GPV), for The Jubilee Insurance Company of Kenya Limited long-term fund valuation. The change in valuation method in Kenya from NPV to GPV was in compliance with the directive given by the Kenyan Insurance Regulator, and was effected for in the 2015 valuations and the period thereafter.

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

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

a) Mortality – The Company used KE 07-10 as a base table of standard mortality for ordinary life and KE 01-03 for annuity life. Statistical methods are used to adjust the rates reflected in the table based on the Company's experience for ordinary life and annuity life (2016: KE 07-10 for Ordinary Life and KE 01-03 for Annuity Life).

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

c) Discount Rates - As per the valuation guideline, the expected future cash flows shall be discounted using the relevant risk-free interest rate. The risk free interest rate is determined using the Nairobi Securities Exchange yield curve as at December 2017 and has been converted to zero coupon yield which ranged from 11.2% to 13.4%.

d) Expenses, tax and inflation – The current level of renewal expenses were taken based on the current expense position of the company. Expense inflation is assumed to be 5.8% p.a. (2016:6.2% p.a.). It has been assumed that the current tax legislation and rates continue unaltered.

Sensitivity analysis

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

For long term insurance contracts without fixed terms and with discretionary participation in profits, the liability is set approximately equal to the value of the underlying asset of the contract. Hence, there is no sensitivity analysis for these types of contracts. The following table presents the sensitivity of these contracts to movements in key assumptions used in the estimation of liabilities:

	Increase in Liability 2017 KShs '000	**Increase in Liability 2016 KShs '000**
Variables:		
Worsening of mortality +20%	280,411	165,319
Lowering of investment returns p.a. -1%	829,335	546,286
Worsening of expense inflation rate +1%	56,680	39,137
Worsening of lapse rate +5%	(23,437)	1,127

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

27. PAYABLE UNDER DEPOSIT ADMINISTRATION CONTRACTS

Group

	2017	2016
	KShs '000	KShs '000
At start of year	35,988,354	30,958,100
Pension fund deposits received	6,882,633	6,068,759
Surrenders and annuities paid	(4,806,355)	(3,893,477)
Fee income charged	(413,352)	(287,579)
Net benefits accrued	4,580,458	3,174,888
Exchange differences	(17,402)	(32,337)
At end of year	**42,214,336**	**35,988,354**

Deposit administration contracts are recorded at amortized cost. Movements in amounts payable under deposit administration contracts during the year are as shown above. The liabilities are shown inclusive of interest accumulated to 31 December 2017 and 2016.

28. UNEARNED PREMIUM REVENUE

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:

	2017			2016		
	Gross KShs'000	Reinsurance KShs'000	Net KShs'000	Gross KShs'000	Reinsurance KShs'000	Net KShs'000
At start of year	8,708,799	(3,019,300)	5,689,499	7,760,661	(3,002,842)	4,757,819
Increase in the period (net)	(1,114,822)	(113,857)	(1,228,679)	1,057,914	(82,454)	975,460
Exchange differences	(22,765)	43,657	20,892	(109,776)	65,996	(43,780)
At end of year	**7,571,212**	**(3,089,500)**	**4,481,712**	**8,708,799**	**(3,019,300)**	**5,689,499**

29. OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	KShs '000	KShs '000	KShs '000	KShs '000
Payroll liabilities	37,333	658	-	-
Value added tax payable	351,407	284,199	-	-
Withholding taxes payable	127,234	69,739	-	-
Other liabilities*	725,495	873,044	1,774	1,769
Leave pay accrual	59,567	87,067	8,615	10,272
Accrued expenses	429,066	335,490	2,596	1,416
Premium deposits	157,872	160,660	-	-
Rental deposits	107,494	99,890	-	-
Total	**1,995,468**	**1,910,747**	**12,985**	**13,457**

*Other liabilities includes deferred rental income and valuations fees among others.

30. SHARE CAPITAL

The total authorized number of ordinary shares is 90,000,000 (2016: 70,000,000) with a par value of KShs 5 per share. As at 31 December 2017 72,472,950 ordinary shares were in issued (2016: 65,884,500 ordinary shares). All issued shares are fully paid. Within the year the authorized share capital was increased to KShs 450,000,000. Also effected within the year was the bonus issue approved at the last AGM of 1:10.

	Group and Company			
	Share Capital	Share Capital	Number of shares	Number of shares
	2017	2016	2017	2016
	KShs '000	KShs '000	'000	'000
Authorised	450,000	350,000	90,000	70,000
Issued and fully paid:				
At start of year	**329,423**	**329,4235**	**65,885**	**65,885**
Bonus issue of shares	32,942	-	6,588	-
At end of year	**362,365**	**329,423**	**72,473**	**65,885**

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

31. RESERVES

The breakdown of reserves is as follows:

	Group		Company	
	2017	2016	2017	2016
	KShs '000	KShs '000	KShs '000	KShs '000
Fair value reserves	337,751	104,458	31,357	6,847
General reserves	70,000	70,000	70,000	70,000
Translation reserves	(546,820)	(554,086)	-	-
Contingency reserves	1,050,993	964,042	-	-
Statutory and other reserves	2,185,073	2,185,073	-	-
Total	**3,096,997**	**2,769,487**	**101,357**	**76,847**

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

a) Fair value reserves

		Group		Company
	2017	2016	2017	2016
	KShs '000	KShs '000	KShs '000	KShs '000
At start of year	104,458	528,488	6,847	6,995
Associate share of other comprehensive income	47,219	(52,888)	-	-
Fair value gain/(loss) through other comprehensive income (net)	186,074	(372,858)	24,510	(148)
Transfer to retained earnings on disposal	-	1,716	-	-
At end of year	**337,751**	**104,458**	**31,357**	**6,847**

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

b) General reserves

	Group and Company	
	2017	2016
	KShs '000	KShs '000
At start and end of year	70,000	70,000

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

31. RESERVES (CONTINUED)

c) Translation reserve (Group)

	2017	2016
	KShs '000	KShs '000
At start of year	(554,086)	(240,449)
Movement for the year	7,266	(313,637)
At end of year	**(546,820)**	**(554,086)**

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

d) Contingency reserve (Group)

	2017	2016
	KShs '000	KShs '000
At start of year	964,042	829,413
Transfer from retained earnings	86,951	134,629
At end of year	**1,050,993**	**964,042**

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

e) Statutory and other reserves (Group)

	2017	2016
	KShs '000	KShs '000
At start of year	2,185,073	3,327,844
To the long-term business	-	(1,142,771)
At end of year	**2,185,073**	**2,185,073**

The statutory reserve represents the actuarial surplus of the Kenyan long-term business after distribution of profits to the shareholders, bonuses to policy holders and interest to deposit administration. These reserves are distributable to policyholders and deposit administration holders subject to the requirement of regulation.

32. RETAINED EARNINGS

	Group		Company	
	2017	2016	2017	2016
	KShs '000	KShs '000	KShs '000	KShs '000
At start of year	16,352,839	13,752,577	865,224	1,385,568
Profit for the year	3,932,142	3,296,625	911,319	39,674
Other movements	149	(1,716)	-	-
Transfer to contingency reserve	(86,951)	(134,629)	-	-
Bonus issue	(32,942)	-	(32,942)	-
Interim dividend	(72,473)	(65,885)	(72,473)	(65,885)
Proposed dividend	(579,784)	(494,133)	(579,784)	(494,133)
At end of year	**19,512,980**	**16,352,839**	**1,091,344**	**865,224**

33. DIVIDENDS

(i) PROPOSED DIVIDEND

Proposed dividend is accounted for as a separate component of equity until ratified at an Annual General Meeting. During the year, an interim dividend of KShs 72.473 million was paid (2016: KShs 65.885 million) or KShs 1.00 per share (2016: KShs 1.00 per share). At the Annual General Meeting to be held on 31 May 2018, a final dividend of KShs 579.784 million (2016: KShs 494.133 million) is to be proposed, which is KShs 8.00 per share (2016: KShs 7.50 per share). The total dividend for the year 2017 is therefore KShs 652.257 million (2016: KShs 560.018 million) or KShs 9.00 per share (2016: KShs 8.50 per share).

33. DIVIDENDS (CONTINUED)

(i) PROPOSED DIVIDEND (CONTINUED)

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

(ii) DIVIDENDS PAYABLE

	2017 KShs '000	2016 KShs '000
At start of year	325,515	269,627
Dividends declared within the year	566,606	560,018
Dividend paid within the year	(522,945)	(504,130)
At end of year	**369,176**	**325,515**

34. CONTINGENT LIABILITIES, COMMITMENTS AND OFF BALANCE SHEET ITEMS

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

The Group engages various service providers for purchase of capital items. The engagement is normally contractual either through Purchase Orders or Service Level Agreements. The Group did not have any contractual commitments as the end of the year (2016: nil).

35. RELATED PARTY TRANSACTIONS

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

(i) Transactions with related parties (Group)

	2017 KShs '000	2016 KShs '000
Gross premium:		
Diamond Trust Bank Limited	370,003	349,766
Industrial Promotion Services (Kenya) Limited	128,788	152,201
TPS Eastern Africa Limited	238,059	56,592
Property Development and Management Limited	33,573	25,298
Nation Media Group	148,837	180,182
Total	**919,260**	**764,039**
Net claims incurred:		
Diamond Trust Bank Limited	216,983	109,834
Industrial Promotion Services (Kenya) Limited	53,318	116,556
TPS Eastern Africa Limited	4,164	10,113
Property Development and Management Limited	4,041	8,052
Nation Media Group	143,678	146,858
Total	**422,184**	**391,413**
Services received from:		
Industrial Promotion Services (Kenya) Limited	53	134
TPS Eastern Africa Limited	2,690	2,346
Nation Media Group	11,466	13,114
Total	**14,209**	**15,594**

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Balances with related parties (Group)	2017 KShs '000	2016 KShs '000
Outstanding premium:		
Diamond Trust Bank Limited	66,326	74,417
Industrial Promotion Services (Kenya) Limited	10,521	4,477
TPS Eastern Africa Limited	700	(2,282)
Property Development and Management Limited	3,628	171
Nation Media Group	9,118	13,900
Total	**90,293**	**90,683**
Outstanding claims:		
Diamond Trust Bank Limited	12,530	12,203
Industrial Promotion Services (Kenya) Limited	19,158	43,295
TPS Eastern Africa Limited	256	4,340
Property Development and Management Limited	1,555	450
Nation Media Group	46,802	55,678
Total	**80,301**	**115,966**
Deposits with financial institutions:		
Diamond Trust Bank Limited	6,027,433	4,702,249
Total	**6,027,433**	**4,702,249**
Interest received from financial institutions:		
Diamond Trust Bank Limited	298,327	408,499
Total	**140,214**	**281,107**

Outstanding premium and claims balances arose out of the normal course of business and are payable within one year.

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(i) Balances with related parties (Company)	2017 KShs '000	2016 KShs '000
Due from related parties:		
Jubilee Center Burundi	-	554
Jubilee Insurance (Mauritius) Limited	860	1,597
Jubilee Investment Company Limited (Tanzania)	-	2,449
Jubilee Insurance Company of Burundi Limited	20,917	17,342
Jubilee Insurance Company of Kenya Limited	23,190	-
Jubilee Investment Company Limited (Burundi)	60,620	67,510
Total	**105,587**	**89,452**
Due to related parties		
Jubilee Insurance Company of Kenya Limited	-	3,252
Jubilee Insurance Company of Tanzania Limited	200	22,372
Jubilee Life Insurance Corporation of Tanzania Limited	-	109
Jubilee Insurance Company of Uganda Limited	-	7,197
Jubilee Life Insurance Company of Uganda Limited	-	640
Jubilee Investment Company Limited (Tanzania)	20,689	-
Jubilee Investment Company Limited (Uganda)	137,916	172,889
Total	**158,805**	**206,459**
Net owing	**(53,218)**	**(117,007)**

(ii) Borrowings from related parties (Company)	2017 KShs '000	2016 KShs '000
Jubilee Investment Company Limited (Uganda)	630,315	627,465

Jubilee Investment Company Limited (Uganda) loaned USD 6.125 million to Jubilee Holdings Limited at the end of 2016, to settle inter-company balances owed to The Jubilee Insurance Company of Kenya Limited. The loan attracts an interest of 0.45% per annum.

36. MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

Group

(i) Short-term insurance business

	2017			2016		
	Gross KShs '000	**Reinsurance KShs'000**	**Net KShs '000**	**Gross KShs '000**	**Reinsurance KShs'000**	**Net KShs '000**
Notified claims	5,766,775	(2,846,851)	2,919,924	5,784,740	(2,875,521)	2,909,219
Incurred but not reported	1,675,727	(701,204)	974,523	1,545,468	(581,263)	964,205
Total at start of year	**7,442,502**	**(3,548,055)**	**3,894,447**	**7,330,208**	**(3,456,784)**	**3,873,424**
Cash paid for claims settled during the year	(12,698,614)	4,833,470	(7,865,144)	(14,437,907)	5,952,216	(8,485,691)
Increase in liabilities:						
Arising from current year claims	8,090,988	(2,973,447)	5,117,541	9,245,378	(3,687,990)	5,557,388
Arising from prior year claims	4,937,397	(2,199,220)	2,738,177	5,304,823	(2,355,497)	2,949,326
Total at end of year	**7,772,273**	**(3,887,252)**	**3,885,021**	**7,442,502**	**(3,548,055)**	**3,894,447**
Notified claims	5,870,122	(3,065,612)	2,804,510	5,766,775	(2,846,851)	2,919,924
Incurred but not reported	1,902,151	(821,640)	1,080,511	1,675,727	(701,204)	974,523
Total at end of year	**7,772,273**	**(3,887,252)**	**3,885,021**	**7,442,502**	**(3,548,055)**	**3,894,447**

(ii) Long-term insurance business

	2017			2016		
	Gross KShs '000	**Reinsurance KShs'000**	**Net KShs '000**	**Gross KShs '000**	**Reinsurance KShs'000**	**Net KShs '000**
Notified claims	1,054,076	(324,605)	729,471	556,755	(181,953)	374,802
Total at start of year	**1,054,076**	**(324,605)**	**729,471**	**556,755**	**(181,953)**	**374,802**
Cash paid for claims settled during the year	(1,613,043)	177,269	(1,435,774)	(1,145,415)	148,174	(997,241)
Increase in liabilities:						
Arising from current year claims	371,715	(6,327)	365,388	510,842	(119,744)	391,098
Arising from prior year claims	1,194,371	(120,148)	1,074,223	1,131,894	(171,082)	960,812
Total at end of year	**1,007,119**	**(273,811)**	**733,308**	**1,054,076**	**(324,605)**	**729,471**
Notified claims	1,007,119	(273,811)	733,308	1,054,076	(324,605)	729,471
Actuarial value of policy holders benefits	16,204,112	-	16,204,112	11,784,483	-	11,784,483
Total at end of year	17,211,231	(273,811)	16,937,420	12,838,559	(324,605)	12,513,954
Total at end of year Short-term and Long-term	**24,983,504**	**(4,161,063)**	**20,822,441**	**20,281,061**	**(3,872,660)**	**16,408,401**

37. OPERATING LEASES

Group

(i) Lease as lessee

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

At 31 December 2017, the future minimum lease payments under non-cancellable operating leases were payable as follows:

	2017 KShs '000	**2016 KShs '000**
Within one year	34,505	52,994
Later than one year and not later than five years	55,903	123,804
Amount payable later than five years	43,562	46,426
	133,970	**223,224**

During the year ended 31 December 2017, KShs 194 million (2016: KShs 162 million) was recognized as rent expense in profit or loss.

37. OPERATING LEASES (CONTINUED)

Group

(ii) Lease as lessor

The Group leases out its investment property (Note 14) to various tenants under operating lease agreements which run for a period of two to six years with the option to renew after expiry. The Group does not enter into any sublease arrangements.

At 31 December 2017, the future minimum lease payments under non-cancellable operating leases were receivable as follows:

	2017	2016
	KShs '000	KShs '000
Within one year	244,658	368,002
Later than one year and not later than five years	1,173,383	1,730,998
Amount payable later than five years	7,538	165,148
	1,425,579	**2,264,148**

During the year ended 31 December 2017, KShs 341 million (2016: KShs 317 million) was recognized as rental income in profit or loss in respect of the investment property, after netting of management expenses of KShs 175 million (2016: KShs 173 million).

See Note 38.11 for the accounting policy in leases.

38. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

38.1 BASIS OF PREPARATION

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

New Standards, amendments and interpretations to existing standards that are effective and adopted in the 2017 Integrated financial statements

The Group has adopted the following new standards and amendments during the period/year ended 31 December 2017, including consequential amendments to other standards with the date of initial application by the Group being 1 January 2017. The nature and effects of the changes are explained below:

Disclosure Initiative (Amendments to IAS 7)

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

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

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

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

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

This amendment has had no impact on the Group's consolidated financial statements as there has been no changes in liabilities arising from financing activities.

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

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

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

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

The application of this amendment has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

38. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

38.1. BASIS OF PREPARATION (CONTINUED)

New Standards, amendments and interpretations issued but not yet effective for the year ended 31 December 2017 and have not been early adopted by the Group

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2017, and have not been applied in preparing these financial statements.

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

New standard or amendments	**Effective for annual periods beginning on or after**
IFRS 9 Financial Instruments (2014)	1 January 2018 with earlier application permitted
IFRS 15 Revenue from Contracts with Customers	1 January 2018 with earlier application permitted
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	1 January 2018 with earlier application permitted
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)	1 January 2018 with earlier application permitted
Amendment to IAS 40 Investment property	1 January 2018 with earlier application permitted
Amendments to IFRS – Annual Improvements to IFRS Standards 2014-2016 Cycle	1 January 2018 with earlier application permitted
IFRS 16 Leases	1 January 2019 with earlier application permitted
IFRS 17 – Insurance Contracts	1 January 2021

IFRS 9: Financial Instruments (2014)

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

All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specific dates to cash flows that are solely.

All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss. IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented as profit or loss.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39, the expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The Group early adopted the classification & measurement of financial instruments in IFRS 9 (2009).

38. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

38.1. BASIS OF PREPARATION (CONTINUED)

New Standards, amendments and interpretations issued but not yet effective for the year ended 31 December 2017 and have not been early adopted by the Group (continued)

IFRS 9: Financial Instruments (2014) (continued)

Based on an initial analysis of the Company's financial assets and financial liabilities as at 31 December 2017, the directors of the Company have made an initial assessment of the impact of IFRS 9 to the Company's financial statements as follows:

Classification and measurement

The debt instruments and equities which were classified and measured at amortized cost and Fair Value through Other Comprehensive Income respectively were reviewed using the business model assessment to ensure that the valuation is not inconsistent with business operations, eliminates accounting mismatches, regulatory requirements and best proactive on fair value of assets backing actuarial liabilities. The board has made a decision that beginning 2018;

- Debt instruments supporting life business actuarial liabilities will be classified and measured using the Fair Value Through Profit & Loss to align the assets valuation with the actuarial liabilities valuation at fair value. Short-term business debt instruments will continue to be classified and measured using the amortized cost approach using the effective interest rate method.
- All equities shall now be classified and measured at Fair Value Through Profit & Loss.

Impairment

Mortgage loans and Policy loans are in scope of IFRS 9 and impact of expected credit loss model is not expected to have a material impact on the financial statements of the business as both of these facilities are fully secured by a physical asset and cash surrender value respectively.

Disclosures

The disclosures have been done in accordance with the requirements of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

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

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

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

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

The Group has assessed the potential impact on its financial statements resulting from the application of IFRS 15 and concluded that there will be no significant change.

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

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

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

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

38. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

38.1. BASIS OF PREPARATION (CONTINUED)

New Standards, amendments and interpretations issued but not yet effective for the year ended 31 December 2017 and have not been early adopted by the Group (continued)

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

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

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

The Group finds that the potential impact on its financial statements resulting from the application of these amendments is significant and is looking to match it assets and liability to ensure the changes are captured within the profit and loss or other comprehensive income.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

The amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Specific transition provisions apply.
The directors of the Group anticipate that the application of these amendments may have an impact on the Group's financial statements in future periods should there be a change in use of any of its properties.

Annual Improvements to IFRSs 2014 – 2016 Cycle

The Annual Improvements include amendments to IFRS 1 and IAS 28 which are not yet mandatorily effective for the Group. The package also includes amendments to IFRS 12 which is mandatorily effective for the Group in the current year.

The amendments to IAS 28 clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture. In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture. The amendments apply retrospectively with earlier application permitted.

Both the amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018. The directors of the Group do not anticipate that the application of the amendments in the future will have any impact on the Group's financial statements as the Group is neither a first-time adopter of IFRS nor a venture capital organisation.

IFRS 16: Leases

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

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

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

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

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

38. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

38.1. BASIS OF PREPARATION (CONTINUED)

New Standards, amendments and interpretations issued but not yet effective for the year ended 31 December 2017 and have not been early adopted by the Group (continued)

IFRS 16: Leases (continued)

- depreciation of lease assets and interest on lease liabilities in profit or loss over the lease term; and
- separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (typically presented within either operating or financing activities) in the statement of cash flows.

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

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

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

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

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

IFRS 17-Insurance Contracts

The IASB issued IFRS 17, 'Insurance Contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are re-measured on a current basis each reporting period. The unearned profit (contractual service margin) is recognized over the coverage period.

Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less.

For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognized in profit or loss in the period in which they occur but over the remaining life in the contract.

The directors anticipate that the application of IFRS 17 will have a significant impact on the financial position and/or financial performance of the Group and are in the process of assessing the impact of its application.

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

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

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

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

38. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

38.2. CONSOLIDATION

a) Subsidiaries

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

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

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

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

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

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

b) Investment in Associates

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

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

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

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

c) Foreign currency

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

(i) Foreign currency transactions

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

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

(ii) Consolidation of group entities

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

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

38. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

38.2. CONSOLIDATION (CONTINUED)

(ii) Consolidation of group entities (Continued)

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

38.3. SEGMENT INFORMATION

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

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

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

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

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

Medical and general have been aggregated as the Group does not hold the assets and liabilities separately.

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

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

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

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

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

38.4 INSURANCE CONTRACTS

a) Classification

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

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

38. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

38.4 INSURANCE CONTRACTS (CONTINUED)

a) Classification (continued)

(i) Long-term insurance business

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

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

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

(ii) Short-term insurance business

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

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

(ii) Claims and policy holders benefits payable

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

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.

38. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

38.4 INSURANCE CONTRACTS (CONTINUED)

b) Recognition and measurement (continued)

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

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 short-term insurance business, claims incurred comprise claims paid in the year and changes in the provision for outstanding claims. Claims paid represent all payments made during the year, whether arising from events during that or earlier years. Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the reporting date, but not settled at that date. Outstanding claims are computed on the basis of the best information available at the time the records for the year are closed, and include provisions for claims incurred but not reported ("IBNR"). Outstanding claims are not discounted.

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

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

(iv) Liability adequacy test

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

(v) Reinsurance contracts held

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

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

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

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

Receivables and payables are recognized when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognizes that impairment loss in profit or loss. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets.

(vii) Salvage and subrogation reimbursements

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

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

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

38. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

38.5 INVESTMENT CONTRACTS

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

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

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

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

For investment contracts with discretionary participation in profits, the liability is set approximately equal to the value of the underlying asset of the contract.

38.6 REVENUE RECOGNITION

(i) Insurance premium revenue

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

(ii) Non interest income from financial investments

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

(iii) Interest income and expenses

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

(iv) Dividend income

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

(v) Rental income from investment properties

Rental income is recognised in the period it is earned.

(vi) Commission earned

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

38.7 PROPERTY AND EQUIPMENT

All categories of property and equipment are initially recorded at cost. Property and equipment are subsequently measured at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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

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

These rates have been applied consistently over the years.

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

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

38. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

38.7 PROPERTY AND EQUIPMENT (CONTINUED)

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

38.8 INVESTMENT PROPERTY

Buildings, or part of a building, (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation are classified as investment property.
Investment property is measured at cost on initial recognition and subsequently measured at fair value. Directors monitor the investment property market and economic conditions, including general and property inflation, on a regular basis to identify changes in market conditions that may lead to significant change in fair value. Changes in fair values are included in investment income in the profit or loss.
On disposal of the investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of profit or loss.

38.9 INTANGIBLE ASSETS

(i) Goodwill

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

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

38.10 FINANCIAL ASSETS AND LIABILITIES

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.

38. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

38.10 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

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

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

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

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

(iii) Classification of financial assets

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

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

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

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the fair value reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

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

(v) Financial assets at FVTPL

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

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

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

(vi) De-recognition of financial assets

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

(vii) Financial liabilities

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

(viii) Financial liabilities at FVTPL

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

38. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

38.10 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(ix) Other financial liabilities

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

(x) De-recognition

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

(xi) Impairment of financial assets

a) Financial assets carried at amortized cost

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets.

since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including:

  - o adverse changes in the payment status of issuers or debtors in the Group; or
  - o National or local economic conditions that correlate with defaults on the assets in the Group.

The Group assesses whether objective evidence of impairment exists individually for financial assets. If there is objective evidence that an impairment loss has been incurred on investments carried at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with exception of receivables arising out of reinsurance or direct insurance arrangements, where the carrying amount is reduced through an allowance account. The impairment loss is recognized directly through profit or loss.

b) Impairment of other non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, are tested annually for impairment. Assets that are subject to amortisation (other than investment property) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of the money and the risks specific to the asset or cash generating unit.

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

The impairment loss is recognized directly through profit or loss.

c) Offsetting financial instruments

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

d) Renegotiated loans

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

38. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

38.11 ACCOUNTING FOR LEASES

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

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

38.12 CASH AND CASH EQUIVALENTS

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

38.13 EMPLOYEE BENEFITS

(i) Short-term benefits

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

(ii) Retirement benefit obligations

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

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

(iii) Other entitlements

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

38.14 INCOME TAX EXPENSE

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

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

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

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

38.15 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.

38. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

38.16 SHARE CAPITAL

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

38.17 COMPARATIVES

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

GROUP REVIEW TEN YEARS

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
	KShs million									
Shareholders' Funds	23,552	19,946	19,098	15,439	12,431	8,020	6,154	5,114	3,389	2,871
Share Capital	362	329	329	299	299	299	272	248	225	225
Long-Term Business Funds	59,426	48,827	42,337	38,652	28,743	23,476	18,802	14,637	11,495	11,730
Total Assets	104,968	90,568	82,378	74,506	61,159	47,418	38,040	30,691	23,736	20,203
Profit Before Tax	5,161	4,563	4,145	3,949	3,151	2,693	2,144	2,053	1,116	901
Profit Attributable to Shareholders	3,932	3,297	2,814	2,880	2,255	2,115	1,802	1,756	825	636
Profit Attributable to Non - Controlling interest	298	379	307	224	248	169	108	83	89	77
Dividends to Shareholders	652	560	560	509	419	419	299	272	203	191
Dividend Cover Ratio	6.03	5.89	5.03	5.66	5.38	5.05	6.02	6.45	4.07	3.33
Bonus Issue	0:00	1:10	0:00	1:10	0:00	0:00	1:10	1:10	1:10	0:00
*Earnings Per Share (KShs) (par value KShs 5)	54.26	45.49	38.83	39.73	31.12	29.18	24.86	24.23	11.38	8.78

* Earnings per share has been calculated on 72.473 million shares for all the year.

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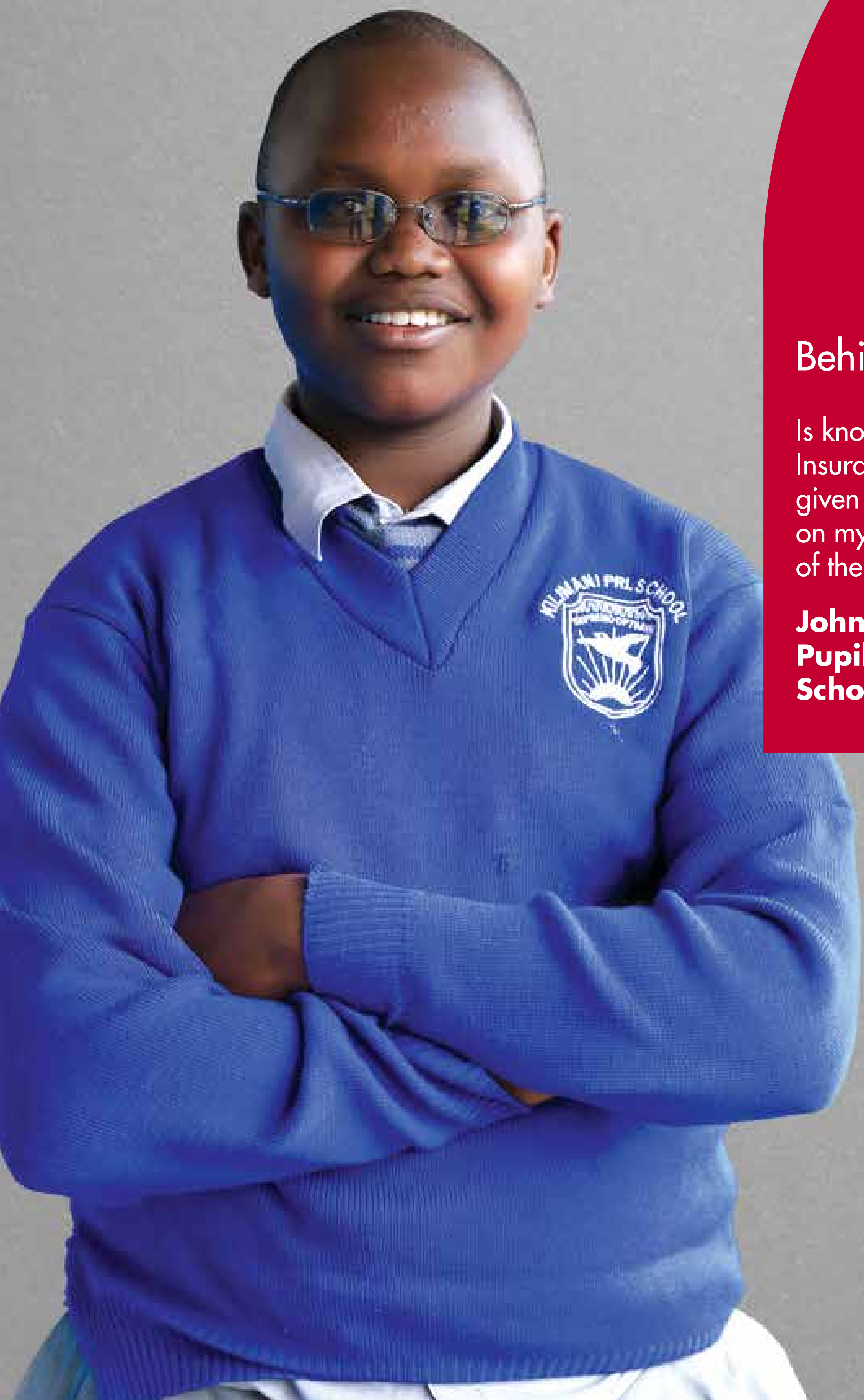


Behind **My Smile...**

Is knowing that Jubilee Insurance cares for me and has given me the freedom to focus on my studies as a beneficiary of the **Eye Project.**

John Manyange
Pupil, Kilimani Primary School

AWARDS, CORPORATE SOCIAL RESPONSIBILITY, ADVERTISEMENTS, AND BRANCHES

THANK YOU!

20 AWARDS IN 2017

AKI Agent Awards AAYA 2018 – Kenya
Most Improved Company Individual Life - **Winner**

Agent Choice Awards 2017 – Kenya
Training Excellence and Impact Award - **Winner**

Think Business Awards 2017 - Kenya
Medical Underwriter of the Year - Personal - **Winner**

Tanzania Leadership Awards 2017
Insurance Company of the Year Award - **Winner**

OTHER NOTABLE AWARDS

Think Business Awards 2017 - Kenya
Major Loss Award - 1st Runner up
Life Insurer of the Year - 1st Runner up
Fraud, Prevention & Detection Initiative - 1st Runner up
Medical Underwriter of the Year - Corporate - 2nd Runner up
Customer Service Award - Life - 2nd Runner up
Training Award - 2nd Runner up
General Insurer of the Year - 2nd Runner up

AKI Agents Of The Year Award 2017 – Kenya
General Insurance Company of the Year Award 2016 - 1st Runner up

AKI Agent Awards AAYA 2018 – Kenya
Company of the Year - 1st Runner up

Fire Awards 2017 – Uganda
Insurance Category - 1st Runner up

Digital Inclusion Awards 2017 – Kenya
Best Insurance Company Providing Digital Solutions - **Winner**

Agent Choice Awards 2017 – Kenya
Product of the Year - **Winner**

Jubilee HOLDINGS

Agent Choice Awards 2017 – Kenya
Overall Agent Choice Award - **Winner**

Fire Awards 2017 – Kenya
Insurance Category - **Winner**

AKI Agents Of The Year Award 2017 – Kenya
Most Improved Company Award – Group Life - **Winner**

Agent Choice Awards 2017 – Kenya
Risk Management Solutions Award - **Winner**

PROVISION OF ARTIFICIAL LIMBS - FREEDOM TO BE INDEPENDENT

THE TARGET BENEFICIARIES ARE CHILDREN AND YOUNG ADULTS.

SO FAR 54 PERSONS HAVE BEEN FITTED WITH LIMBS AND MORE WILL BE FITTED WITHIN THE YEAR.

EYE CARE - FREEDOM TO FOCUS

WE ARE GIVING PRIMARY SCHOOL CHILDREN THE FREEDOM TO FOCUS ON THEIR STUDIES.

1,574 PUPILS HAVE SO FAR RECEIVED CORRECTIVE INTERVENTIONS, AND OVER 350 ARE SCHEDULED TO RECEIVE FURTHER ASSISTANCE EITHER THROUGH OPERATIONS, SPECTACLES OR OTHER ASSISTIVE DEVICES, WHICH JUBILEE INSURANCE WILL PAY FOR.

EAR OPERATIONS - BREAKING THE SILENCE

TO DATE, 34 BENEFICIARIES HAVE HAD DIFFERENT INTERVENTIONS CARRIED OUT AND WITH MORE MEDICAL CAMPS SCHEDULED IN 2018.

ENGAGING THE COMMUNITY

THE JUBILEE INSURANCE MAURITIUS LTD TEAM AT THE MEGA HEALTH DAY AND WITH THE LESS PRIVILEGED CHILDREN ON A ZOO TRIP.

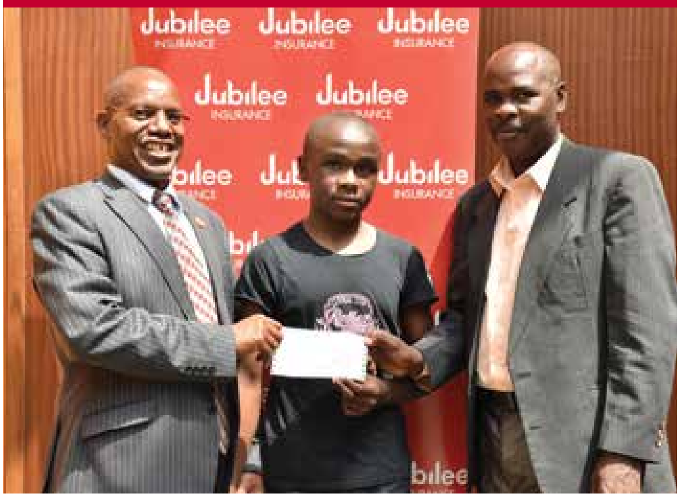
LIVE FREE PAINTING COMPETITION

CELEBRATING WITH THE WINNERS OF THE LIVE FREE PAINTING COMPETITION IN UGANDA.

LIVE FREE PAINTING COMPETITION

JUBILEE INSURANCE KENYA CEO PATRICK TUMBO WITH MARTIN MWENDA, WHO WON A FULL SECONDARY SCHOOL SCHOLARSHIP FROM JUBILEE INSURANCE, FOR EMERGING TOP IN THE LIVE FREE PAINTING COMPETITION IN 2017.

HE JOINED BARICHO BOYS, A NATIONAL SCHOOL IN KIRINYAGA COUNTY.



THE LIVE FREE PAINTING COMPETITION WAS CONDUCTED IN 2017 ACROSS THE REGION KENYA, UGANDA AND TANZANIA WITH THE AIM OF GIVING PUPILS AN OPPORTUNITY TO SHARE THEIR VISION ON WHAT LIVING FREE MEANS TO THEM IN THE FORM OF ART.

WE REWARDED THE WINNERS WITH FULL SECONDARY SCHOOL SCHOLARSHIPS AND THEIR SCHOOLS RECEIVED AN ASSORTMENT OF BOOKS & SPORTS EQUIPMENT.

KENYA 25 NATIONAL WINNERS, TANZANIA 5 NATIONAL WINNERS, UGANDA 3 NATIONAL WINNERS.

RENOVATION OF CLOAKROOM, CLASSROOM AND TEACHER'S HOUSES

MBEYA- ITIJI PRIMARY SCHOOL CLOAK ROOM (BEFORE)

CLOAK ROOM (AFTER)

MWEMBESONGO PRIMARY SCHOOL - RENOVATIONS (BEFORE)

RENOVATIONS (AFTER)

MLIMWA"B" PRIMARY SCHOOL TOILET CONSTRUCTION (BEFORE/AFTER)

JANG'OMBE PRIMARY SCHOOL CLASS RENOVATION (BEFORE/AFTER)

MADENGA PRIMARY SCHOOL TOILET CONSTRUCTION (BEFORE/AFTER)

KATERERO PRIMARY SCHOOL TEACHERS HOUSES (BEFORE/AFTER)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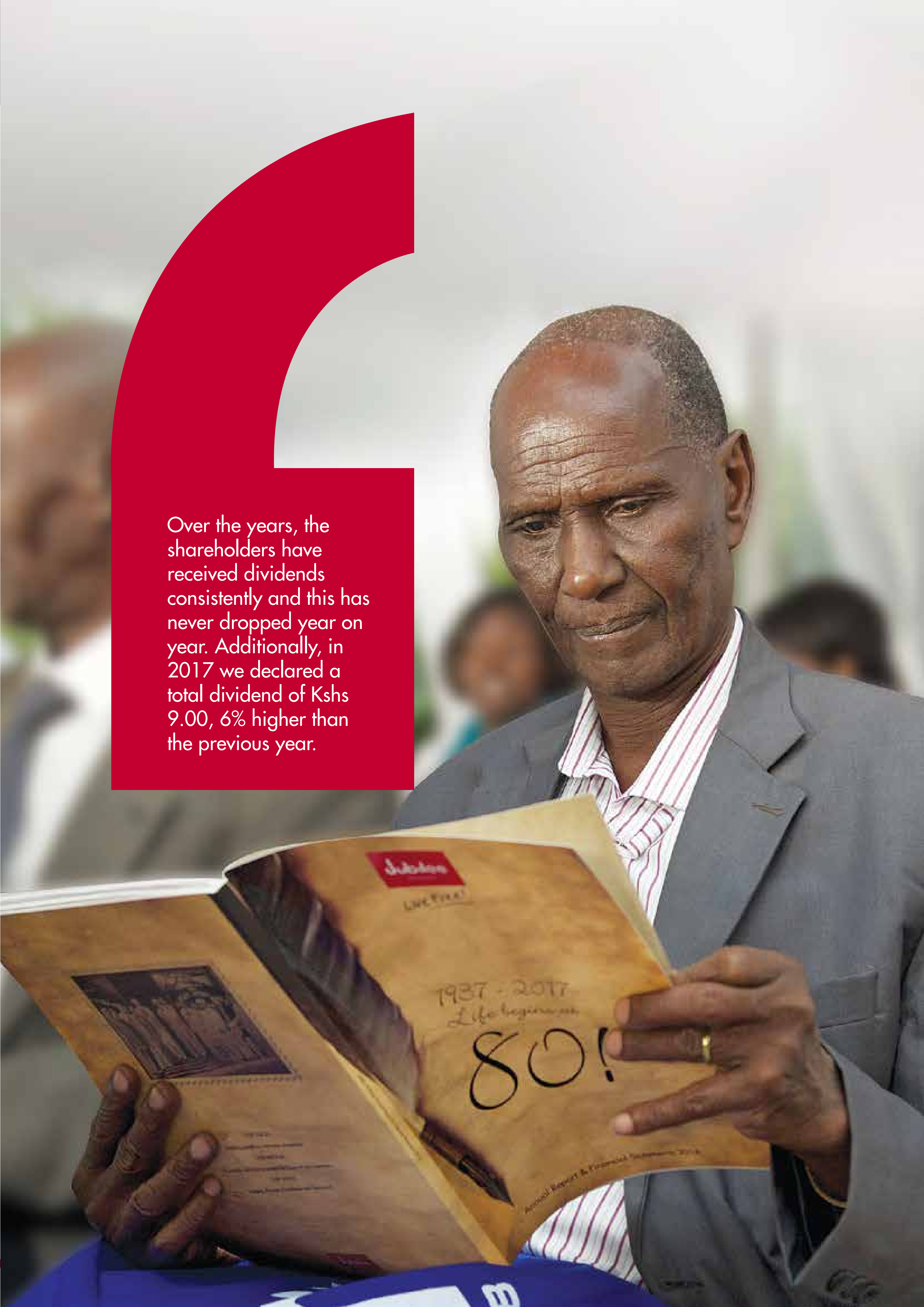

Over the years, the shareholders have received dividends consistently and this has never dropped year on year. Additionally, in 2017 we declared a total dividend of Kshs 9.00, 6% higher than the previous year.

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Behind **Our Smiles...**

Knowing that we own a company that is well governed, corruption free and one that cares for the community

Behind **My Smile...**

Is knowing that my grand children are covered and are beneficiaries on my Pension Policy. Thanks to the **Jubilee Insurance Pension Plan**

Betty Temba
Customer

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OUR VALUES

Integrity, Passion, Excellence and Teamwork.

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