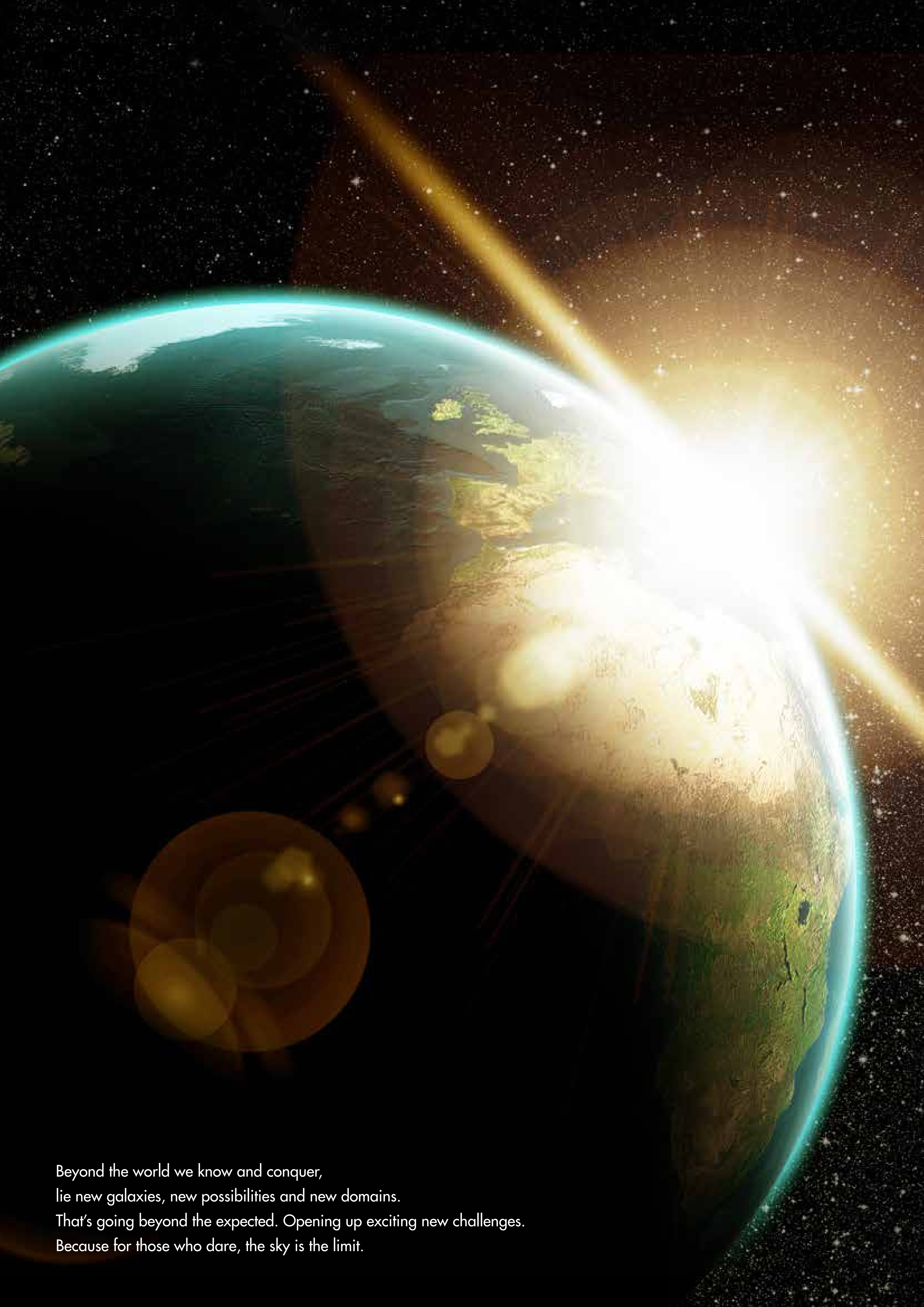
Going the extra mile...

Annual Report and Financial Statements 2014



Beyond the world we know and conquer,
lie new galaxies, new possibilities and new domains.
That's going beyond the expected. Opening up exciting new challenges.
Because for those who dare, the sky is the limit.

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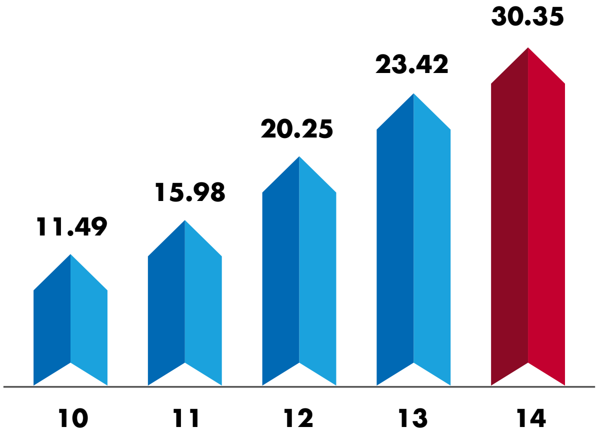
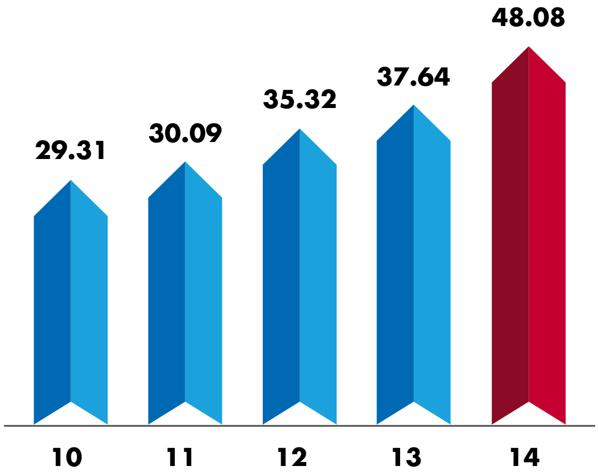
GROSS WRITTEN PREMIUMS (KSHS BILLION)



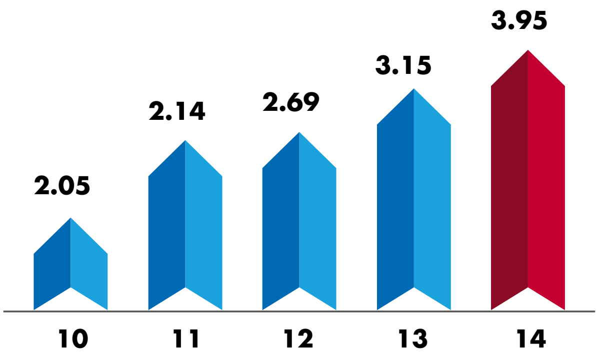
Gross Written Premiums grew by 30% to Kshs 30.35 billion as a result of innovative product development strategies, enhanced relations with intermediaries and growth in the deposit administration.

EARNINGS PER SHARE (KSHS PER SHARE)



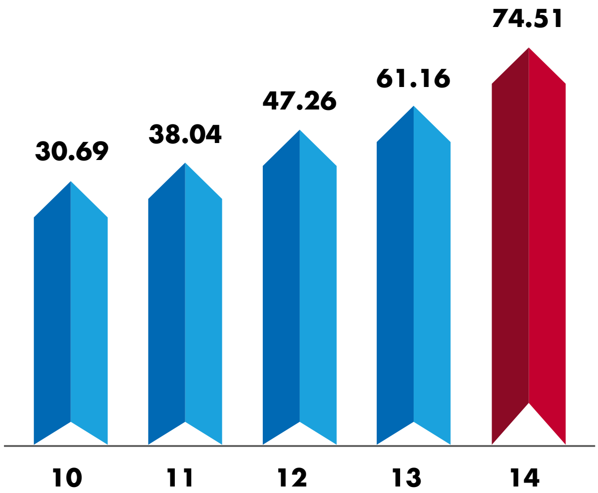
Earnings per share grew by 28% to Kshs 48.08 from Kshs 37.64 recorded in 2013 attributed to improved profitability.

PROFIT BEFORE TAX (KSHS BILLION)



Profit before tax grew by 25% to Kshs 3.95 billion attributed to a strong focus on underwriting profitability and excellent investment performance.

TOTAL ASSETS (KSHS BILLION)



Total assets grew by 22% to Kshs 74.51 billion as a result of increased funds generated by the business, improvement in the securities market and revaluation of the investment properties

Capital and reserves	2014 Kshs '000	2013 Kshs '000
Authorised Capital	350,000	350,000
Issued Capital	299,475	299,475
Paid-up Capital	299,475	299,475
Retained Earnings	11,484,875	9,212,032

Registered Office

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

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

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

Auditors
KPMG Kenya

Corporate Lawyers
Daly & Figgis Advocates

Share Registrar
Jubilee Holdings Limited

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

NOTICE IS HEREBY GIVEN that the 77TH ANNUAL GENERAL MEETING of the Shareholders will be held at the Nairobi Serena, Kenyatta Avenue, on Monday 8 June 2015 at 11:00 a.m. to transact the following business:

1. To consider and, if thought fit, to adopt the Consolidated Financial Statements for the year ended 31 December 2014, the Report of the Directors and the Report of the Auditors thereon.
2. To confirm the payment of the interim dividend of Kshs. 1.00 per share made on 7 October 2014 and approve the payment of a final dividend of Kshs. 7.50 per share to be paid on or about 25 July 2015 to Shareholders registered as at 8 June 2015.
3. To elect the following Directors:
   a. Mr. Lutaf Kassam retires by rotation in accordance with Article 86 Company's Articles of Association and being eligible, offers himself for re-election.
   b. Dr. Ramadhani Dau retires by rotation in accordance with Article 86 Company's Articles of Association and being eligible, offers himself for re-election.
   c. Mr. Sultan Khimji retires by rotation in accordance with Article 86 Company's Articles of Association and being eligible, offers himself for re-election.
4. To approve the Directors' remuneration for the year ended 31 December 2014, as provided in the Annual Report and Audited Financial Statements.
5. To note that the auditors, KPMG Kenya Limited will continue in office in accordance with section 159 (2) of the Companies Act and to authorise the Directors to set their remuneration.

Special Business:

To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

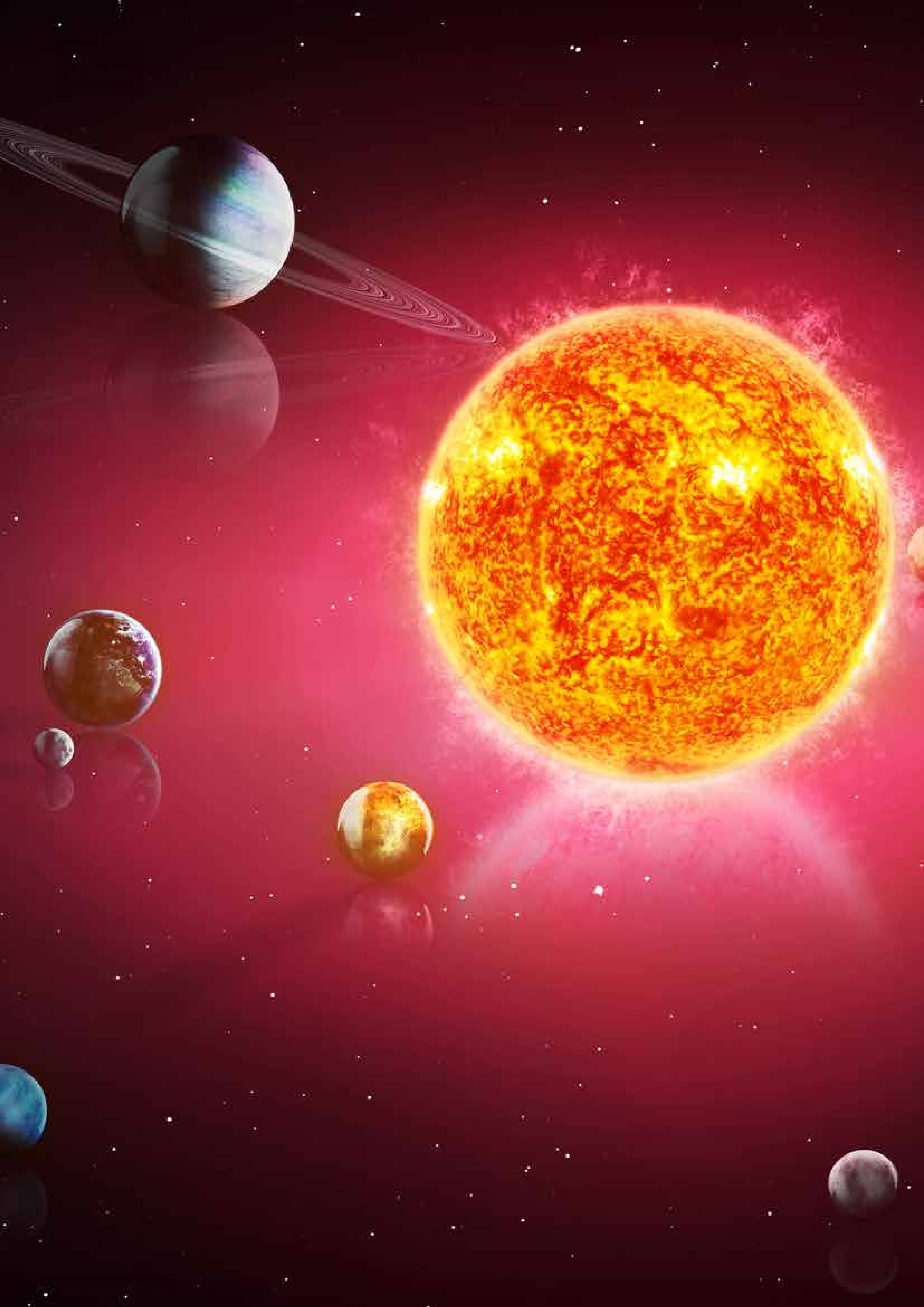
6. Bonus Issue

   "RESOLVED that pursuant to Article 128 of the Company's Articles of Association and subject to all Regulatory approvals including approval from the Capital Markets Authority and Nairobi Securities Exchange, the retained profits amounting to Kshs 29,947,500 be capitalized and the Directors be and are hereby authorized and directed to utilize such sums to the holders of ordinary shares as at 8 June 2015 and to apply such sums on behalf of such holders in paying up in full at par 5,989,500 ordinary unissued shares in the capital of the Company such shares to be allotted and credited as fully paid up to and amongst such holders in the proportion of One New Ordinary Share for every Ten Ordinary Shares held on 8 June 2015 upon the terms that such new shares when issued shall not rank for dividend in respect of the year ended 31 December 2014, but shall rank, in all other aspects, paripassu with the existing ordinary shares of the Company and that the Directors be and are hereby authorized to do all acts required to give effect to this resolution and deal with fractions in such manner as they think fit subject always to the Articles of Association."

By Order of the Board

Margaret Kipchumba (Mrs.)
Company Secretary
24 March 2015

Note:
1. A member entitled to attend and vote at this meeting may appoint a proxy to attend and vote on his/her behalf and such proxy need not be a member of the Company.
2. Completed proxy forms should be returned to the Company by delivery or by post to P.O. Box 30376 Nairobi to arrive not later than 48 hours before the meeting.



Juma Kisaame

Jane Mwangi

John Metcalf

Nizar Juma (Chairman)

Sultan Khimji

Moez Jamal

Zul Abdul

Ramadhani Dau

Lutaf Kassam

Sultan Allana

Shabir Abji

- Board Audit and Compliance Committee
- Board Finance Committee
- Board Nominating and Human Resource Committee
- Board IT Committee
- Board Regional Technical Committee
- Board Property Committee

DEAR SHAREHOLDERS,

I am pleased to present Jubilee Holdings Limited ("Jubilee") 2014 annual report and consolidated financial statements. The Group has delivered another strong, broad-based performance in 2014, delivering value to our customers, contributing to the development of the insurance industry in the markets where we operate and producing record profits for our shareholders.

This performance has been under-pinned by a consistent focus on the evolving needs of our markets and a commitment to creating sustainable value for our customers and business partners. During 2014, Jubilee Kenya emerged as number one in the long-term business, and Jubilee continues to take significant steps to build its Life insurance footprint in the region, establishing new long-term insurance subsidiaries in Uganda and Tanzania, which are now fully operational. At the same time investment in products and systems has continued and in 2014 Jubilee implemented a state of the art Medical IT system in Kenya, which will form the basis for a regional platform for this strategically important line of business. Distribution has been extended through both expansion of branch and agency networks across East Africa and the launch of bancassurance with key banking partners; in addition Jubilee on-line sales capacity has been enhanced and product options extended.

Jubilee's performance resulted in an increase of 30% in Gross Written Premium including Deposit Contributions to stand at Kshs 30.35 billion, with excellent contributions from all five territories in which Jubilee operates. The Jubilee Group achieved a 25% increase in Pre-tax profit to Kshs 3.95 billion, which was supported by a similar increase in underwriting profit to Kshs. 1.11 billion. Jubilee remains the largest composite insurance company in Kenya and overall in East Africa for the sixth consecutive year.

These excellent results were achieved against the backdrop of an increasingly competitive regional insurance market leading to softening insurance premium rates and an extremely volatile economic environment which saw major swings in currency values. With all the challenges experienced in the year under review, Jubilee's strategy of diversifying its investment and asset base provided an impressive investment income growth of 31% largely due to increased dividends from investments and fair value gains from investment properties, as a result total assets increased to Kshs 74.51 billion at the end of 2014.

EAST AFRICA'S ECONOMY

In September 2014, Kenya was classified as a middle-income country after a statistical reassessment of the economy increased the size by 25%, effectively making it the ninth largest economy in Africa. In addition the fall in the price of oil has provided support to the growth of the economy despite rising security costs and a significant slowdown in tourism. The economy grew by 5.5% during the third quarter of 2014, an improvement over the 4.7% gross domestic product (GDP) growth rate recorded in 2013. Economic prospects for 2015 and beyond remain strong, with lower inflation and stable interest rates. The growing markets in Uganda and Tanzania are equally important to Jubilee. Both countries continue to have an impressive record of economic growth.

INSURANCE INDUSTRY

The regional insurance market continues to face various challenges including very low insurance penetration and increased competition due to the arrival of new entrants in all of our markets, including an increasing number of international players. A number of market participants have responded to these developments by reducing premiums, with consequent impacts on service standards. Jubilee is committed to matching the highest international standards of product and service delivery and believes that the quality of our people and the focus on meeting the needs of our customers will enable the Group to continue to outperform both regional peers and new entrants who are unfamiliar with our market dynamics. The introduction of Excise Tax and VAT on the insurance services in various East African countries has increased the cost of insurance and put further pressure on underwriting profit. Despite these challenges, Jubilee has been able to consolidate its market leadership in Kenya, Uganda and Tanzania and also made important market share gains in Mauritius and Burundi.

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

FINANCIAL PERFORMANCE

Jubilee Holdings Limited reported an increase in Gross Written Premium (including DA contributions) of 30% to Kshs 30.35 billion (2013: Kshs 23.42 billion). Profit before tax stood at Kshs 3.95 billion, an increase of 25% (2013: Kshs 3.15 billion). The Group posted insurance results of Kshs 1.38 billion (2013: Kshs 1.21 billion) which saw contribution from all lines of business and is significantly higher than those of our peers. This performance was achieved despite the challenges faced in our local markets and underlines our capability to deliver superior value and returns for our shareholders and other stakeholders even under difficult circumstances.

Based on this impressive 2014 performance, I am pleased to report that the Board has recommended a cash dividend of 170% for the year 2014 (2013: 140%), on the share capital of Kshs 299.475 million and a one for ten share bonus issue. An interim dividend of 20% (Kshs 1.00 per share) was paid on 7th October 2014. The Board is seeking approval for a final cash dividend of Kshs 7.50 per share. In addition, I am pleased to note that Jubilee Holdings Limited's share price increased from Kshs 280 to Kshs 450 per share during the year, an increase of 61% making it one of the best performing investments on the NSE.

GENERAL INSURANCE

General insurance gross written premium grew by 13% in 2014 to reach Kshs 11.14 billion (2013: Kshs 9.88 billion) with a combined ratio of 90%, which reflects our continued and strong focus on claims control and risk management, which resulted in an underwriting profit of Kshs 582 million in 2014. Efforts to extend our distribution reach were successful as Jubilee expanded its agency network across Kenya and opened new branches in Tanzania. To support this initiative and make insurance more accessible in rural communities, Jubilee has continued to launch innovative new products in agricultural insurance, and those targeted to Small and Medium Enterprises.

MEDICAL INSURANCE

Medical insurance business achieved a 21% growth to reach Kshs 7.62 billion (2013: Kshs 6.32 billion). Jubilee continues to penetrate new areas, consolidate and enlarge its market leadership in medical insurance business in Kenya, while aggressive expansion in both Uganda and Tanzania has seen us retain market leadership and profitability. Jubilee's retail medical product, J-Care, tailored for families continued to do well during the year under review and this contributed towards the positive medical business performance. Sound underwriting and provider relationship management enabled Jubilee to once again report excellent underwriting profitability of Kshs 655 million in 2014, and one of the very few companies to report underwriting profitability in medical insurance business in the region.

LIFE INSURANCE

Life insurance business gross premium and deposit administration inflows registered an increase of 61% to Kshs 11.59 billion (2013: Kshs 7.22 billion) as a result of strong growth in the annuity business and new individual life business through Jubilee's expanding agency network. This is in line with the Group's strategy to expand its individual and group life insurance portfolio penetration and the success of the Group's asset building products, which are built around the long term saving, education and protection needs of Jubilee's customers.

OPERATIONS

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

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

BOARD OF DIRECTORS

The Directors who held office in 2014 are listed on pages 8 and 9 of this report. As we continue to expand our horizons, you will note the additions to the Board, which continues to reflect your Company's regional and growth related outlook, while drawing from the Group's Vision, Mission and Values which continue to steer your Company to greater heights in achieving its strategic objectives.

GROUP OPERATIONS

Once again, Jubilee Insurance has emerged as the number one composite company in the region, while at the same time retaining leadership in Kenya, Uganda and Tanzania. Strong top line growth has also been experienced in our younger subsidiaries, Burundi and Mauritius.

In 2014 Jubilee wrote Kshs 30.35 billion in premium income and realized Kshs 3.95 billion in profit before tax. The Group plans to continue with its branch expansion initiative, micro-insurance, banc assurance and the launch of online sales that will drive product innovation and the extension of distribution channels that will enhance customer service. At the end of the year, the composite insurance companies in Uganda and Tanzania completed the split into separate short-term and long-term companies. In conjunction with the split, the long-term companies now have a clear mandate and the necessary capital and other resources to focus on faster growth.

Total income increased by 35% to Kshs 24.38 billion (2013: Kshs 18.04 billion) driven by good underwriting and investments performance. Jubilee's balance sheet continues to go from strength to strength with total assets growing by 22% and deposit administration increasing by 28%. This is a reflection of the controls in place to safeguard your investments and ability to offer consistent returns over time.

CORPORATE SOCIAL RESPONSIBILITY

During the year under review, Jubilee continued to commit resources towards key Corporate Social Responsibility (CSR) initiatives that go towards supporting critical needs of the local communities, through partnerships with like-minded organizations, as well as implementing its trademark CSR projects. The activities undertaken during the year under review included participation and support to the Jubilee Insurance Samaritan Award (JISA), Mater heart run, visit to Kwetu Children's Home and the Standard Chartered marathon.

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

MARKET PRESENCE AND RECOGNITION

Jubilee is very pleased to be recognized by the business community and the insurance industry for the excellence of our business practices by winning several awards.

In Kenya, at the 2014 Annual Insurance Awards, Jubilee won 9 awards, the highest number of awards in the industry and was acknowledged as the overall winner in four categories: Fraud Detection and Protection, Socially Responsible Corporate, Claims Settlement Life and Training Award. Jubilee was also runner up in Customer Service Award, Marketing Initiative of the year, General Insurer of the Year and Medical Underwriter of the Year, The Training Award, Major Loss Award and Customer Satisfaction Award. Jubilee was also awarded best Company of the Year (COYA) in Human Resources, Financial Management and the Kirit Dave Human Resources Manager of the year Award. In addition, Jubilee won Individual Pension Scheme of the year and 1st runner up Pension Administrator of the year by Think Business. Other awards include Financial Services Award by CIO 100, Best use of ICT in Insurance Award and Best IT Manager of the Year Award at the ICT Value Awards by The Information Communication Technology Association of Kenya (ICTAK).

In Uganda, Jubilee Uganda won the 'Claims Handling and Settlement Award' by the Uganda Association of Insurance Brokers.

2015 OUTLOOK

The business and regulatory environment will remain challenging in 2015 influenced by global economic trends. Although tourism continues to be negatively affected by security concerns, the economy remains strong due to the significant investment in infrastructure development as well as the lower cost of oil. The establishment of a new system of devolved government continues to have teething and fiscal challenges, but augurs well for creating an enabling and business driven environment not only for Kenya but the region as a whole.

Jubilee will continue to focus on risk selection and best management practices so as to balance our entrepreneurial approach to business opportunities whilst protecting profitability. Key strategic initiatives for 2015 include innovation of new products, improved renewal retention, enhanced product mix, continued development of new agency networks and reinvigorated producer incentive schemes that will help us drive our top line.

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

We continue to be optimistic as we focus on our strategic goals to ensure that Jubilee continues to perform strongly in 2015 and generate sustainable and stable returns for our shareholders.

APPRECIATION

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

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

Nizar Juma
Chairman
24 March 2015

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2014 which disclose the state of affairs of Jubilee Holdings Limited (the "Company") and its subsidiary companies (together the "Group").

Country of incorporation

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

Principal activities

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

Results

The following is the summary of the results for the year ended 31 December 2014:

Profit analysis	**2014 Kshs'000**	**2013 Kshs'000**
Group profit before income tax	3,949,285	3,151,188
Income tax expense	(845,632)	(648,371)
Group profit after income tax	**3,103,653**	**2,502,817**
Non controlling interest	(224,081)	(248,128)
Profit attributable to equityholders of the company	**2,879,572**	**2,254,689**

Dividend

An interim dividend of Kshs 1.00 per share amounting to Kshs 59.895 million (2013:Kshs 59.895 million) was paid on 7 October 2014. The Directors recommend a final dividend of Kshs 7.50 per share amounting to Kshs 449.212 million (2013: Kshs. 359.370 million), as well as a bonus issue of 1 new share for every 10 shares, for approval by shareholders. The total dividend for the year represents 170% of the issued share capital as at 31 December 2014 (2013: 140%).

Directors

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

Nizar N Juma (Chairman)
Sultan A Allana *
Ramadhani K Dau **
Juma Kisaame***
Lutaf R Kassam
Sultan K Khimji
John J Metcalf ****
Shabir Abji**
Jane S Mwangi Appointed on 12 May 2014
Moez Jamal**** Appointed on 12 May 2014
Zul Abdul Appointed on 12 May 2014

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

Auditors

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

On behalf of the Board

Nizar N Juma, Chairman
Nairobi, 24 March 2015

The Directors are responsible for the preparation and fair presentation of the Group and Company financial statements of Jubilee Holdings Limited set out on page 22 to 90 which comprise consolidated and company statements of financial position as at 31 December 2014, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated and company statements of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with International Financial Reporting Standards and the Kenyan Companies Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs and the operating results of the Group and the Company.

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

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

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

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

Approval of the financial statements

The Group and Company financial statements, as indicated above, were approved by the Board of Directors on 24 March 2015 and were signed on its behalf by:

Nizar N Juma
Chairman

Sultan K Khimji
Director

CORPORATE GOVERNANCE STATEMENT

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

Board of Directors

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

The Board currently comprises eleven Directors, out of whom eight are independent. The strong contingent of independent Directors ensures that no individual or small group of individuals can dominate the Board's decision-making processes. The new Directors appointed during the period under review; Mrs. Mwangi, Mr. Jamal and Mr. Abdul have all undergone the necessary orientation in the area of the Company's business in order to enhance their effectiveness on the Board. The Chairman and Directors adhere to the rules of multiple directorships set under CMA's guidelines for good corporate governance. All Directors retire by rotation on a periodic basis.

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

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

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

The Directors' attendance of Board Meetings for the year 2014 is as follows:

Name	March	June	August	October
Nizar Juma (Chairman)	√	√	√	√
Sultan Allana	√	√	√	x
Ramadhani Dau	√	x	√	√
Lutaf Kassam	√	√	√	√
Sultan Khimji	√	√	√	√
Juma Kisaame	√	√	x	√
John Metcalf	√	√	√	√
Shabir Abji	√	√	x	x
Jane Mwangi	n/a	√	√	√
Moez Jamal	n/a	√	√	√
Zul Abdul	n/a	√	√	√

√ Present x Absent with apologies

Board Committees

Pursuant to the Company' Articles of Association, the Board of Directors has delegated authority to the Committees as listed below. These committees operate under clearly articulated terms of reference (summarized below) which clarify their responsibilities and scope of authority. The Committees have unrestricted access to Group information and are authorized by the Board to obtain independent professional advice in the discharge of their functions. All Committees report to the Board at each meeting highlighting matters discussed at their respective meetings and recommended actions.

The mandates of the Committees and their membership are as follows:

(a) Board Audit and Compliance Committee:

The committee oversees the financial reporting process, internal controls, and compliance issues in the Company, including any legislative and regulatory changes that impact on the Company's operations. The members are:

i. Mr. Sultan Khimji (Chairman)

ii. Mr. Juma Kisaame

iii. Mr. John Metcalf

iv. Mr. Zul Abdul

(b) Board Finance Committee:

The Committee supervises the financial and investment business of the Company, and provides guidelines and limits for investment of the Company's funds. The members are:

i. Mr. Lutaf Kassam (Chairman)

ii. Mr. John Metcalf

iii. Mr. Sultan Khimji

iv. Mr. Shabir Abji

(c) 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 of the Company. The members are:

i. Mr. Nizar Juma (Chairman)

ii. Mr. John Metcalf

iii. Mrs. Jane Mwangi

(d) Board IT Committee:

The Committee approves the IT strategy. The Committee also reviews IT investments, such as new system acquisitions from a technical and operational perspective. The members are:

i. Mr. Shabir Abji (Chairman)

ii. Mr. John Metcalf

iii. Mr. Juma Kisaame

(e) Board Regional Technical Committee:

This is a technical committee that reviews and approves new products, sets the underwriting and claims authority limits, reviews the business performance, and reviews the technical business recommendations. The members are:

i. Mr. John Metcalf (Chairman)

ii. Mr. Amin Datoo

iii. Mr. Patrick Tumbo

(f) Board Property Committee:

The committee deals with the Company's property portfolio and makes recommendations to the Board. The members are:

i. Mr. Nizar Juma (Chairman)

ii. Mr. Lutaf Kassam

iii. Mr. Sultan Khimji

iv. Mr. Zul Abdul

For services on the Board and its Committees, the Directors receive remuneration approved by shareholders at the Annual General Meeting. In 2014, the aggregate amount of emoluments received by the Directors is shown under note 10 (ii) on page 52 of the financial statements. No loans were advanced to the Directors during the year under review.

Directors' interest in the shares of the company as at 31 December 2014

Names	Number of shares held	% Shareholding
Mr Sultan K Khimji (including shares held by his family and company in which he has an interest)	10,481	0.02%

Distribution of Shareholders as at 31 December 2014

Number of shares	Number of shareholders	Number of shares held	% Shareholding
1-500 shares	1,733	288,233	0.48%
501-5,000 shares	3,507	6,831,064	11.41%
5,001 – 10,000 shares	629	4,275,411	7.14%
10,001 – 100,000 shares	512	12,421,408	20.74%
100,001 – 1,000,000 shares	28	4,451,372	7.43%
Over 1,000,000 shares	5	31,627,512	52.80%
Total	**6,414**	**59,895,000**	**100.00%**

List of 10 largest shareholders as at 31 December 2014

	Names	Number of shares held	% Shareholding
1	Aga Khan Fund for Economic Development	22,751,025	37.98%
2	Pyrus Investments Limited	5,671,250	9.47%
3	United Housing Estates Limited	1,086,734	1.81%
4	Adam's Brown and Company Limited	1,070,109	1.79%
5	Freight Forwarders Kenya Limited	1,048,394	1.75%
6	Pulin Mahendrakumar & Mita Pulin Gandhi	316,800	0.53%
7	Gulshan Noorali Sayani	299,593	0.50%
8	Ariff Aziz Shamji & Farah Bahadur Alibhai Ukani	293,490	0.49%
9	Gulzar Shamshudeen Somji	206,737	0.35%
10	Ameerali K Abdulrasul Somji	205,800	0.34%
Total		**32,949,932**	**55.01%**

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We have audited the financial statements of Jubilee Holdings Limited set out on pages 22 to 90 which comprise the consolidated and company statements of financial position as at 31 December 2014, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated and company statements of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

As stated on page 15, the Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Kenyan Companies Act, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the consolidated and company financial position of Jubilee Holdings Limited at 31 December 2014, and the consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

Report on other legal requirements

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

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

The engagement partner responsible for the audit resulting in this independent auditors' report is FCPA Eric Aholi - P/NO:1471.

KPMG Kenya

24 March 2015

	Note	2014 Kshs '000	2013 Kshs '000
Gross earned premium revenue	6	24,782,043	18,087,946
Outward reinsurance	6	(8,450,822)	(7,314,561)
Net insurance premium revenue		**16,331,221**	**10,773,385**
Investment and other income	7	4,833,582	3,697,032
Net fair value gains on financial assets at fair value through profit or loss	18 & 19	1,234,767	1,887,877
Commission earned		1,976,315	1,684,345
Total income		**24,375,885**	**18,042,639**
Claims and policy holders benefits payable	8	(20,482,024)	(16,636,045)
Claims recoverable from re-insurers	8	4,611,545	5,650,491
Net insurance benefits and claims		**(15,870,479)**	**(10,985,554)**
Operating and other expenses	9	(3,106,716)	(2,483,628)
Commission payable		(2,881,228)	(2,345,153)
Total expenses and commissions		**(5,987,944)**	**(4,828,781)**
Result of operating activities		**2,517,462**	**2,228,304**
Finance costs		(49,745)	(47,629)
Share of result of associates	17 (i)	1,481,568	970,513
Group profit before income tax		**3,949,285**	**3,151,188**
Income tax expense	11	(845,632)	(648,371)
Profit for the year		**3,103,653**	**2,502,817**
Attributable to:			
Equityholders of the company		2,879,572	2,254,689
Non-controlling interest		224,081	248,128
Total		**3,103,653**	**2,502,817**
Earnings Per Share (Kshs)			
Basic and diluted	28	48	38

The notes on pages 30 to 90 are an integral part of these financial statements.

	Note	2014 Kshs '000	2013 Kshs '000
Profit for the year		**3,103,653**	**2,502,817**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Net fair value gains on financial assets	18 & 19	225,399	564,325
Net translation (loss)/gain		(503,913)	252,016
Items that may be reclassified to profit or loss			
Associate share of other comprehensive income	17(i)	515,239	-
Total other comprehensive income, net of tax		**236,725**	**816,341**
Total comprehensive income for the year		**3,340,378**	**3,319,158**
Attributable to:			
Equityholders of the Company		3,209,242	3,089,936
Non-controlling interest		131,136	229,222
Total comprehensive income for the year		**3,340,378**	**3,319,158**

The notes on pages 30 to 90 are an integral part of these financial statements.

	Note	2014 Kshs '000	2013 Restated Kshs '000
ASSETS			
Property and equipment	15(i)	184,548	163,329
Intangile assets	15(ii)	23,082	-
Investment properties	16	5,073,192	4,445,591
Investment in associates	17 (i)	7,733,043	6,465,583
Deferred tax asset	27	76,149	90,753
Unquoted shares at fair value through profit or loss	18	2,344,998	2,071,259
Unquoted shares at fair value through other comprehensive income	18	96,868	90,584
Quoted shares at fair value through profit or loss	19	8,002,990	5,910,179
Quoted shares at fair value through other comprehensive income	19	1,721,076	1,463,256
Mortgage loans	20 (i)	44,102	29,067
Loans on life insurance policies	20 (ii)	361,981	512,945
Government securities at armortised cost	21	21,923,229	19,067,633
Commercial bonds	22	1,696,519	887,417
Receivables arising out of direct insurance arrangements	4(c)	3,653,899	3,563,752
Receivables arising out of reinsurance arrangements	4(c)	1,713,259	1,889,223
Reinsurers' share of insurance contract liabilities	23	6,833,940	6,913,943
Deferred acquisition costs	24	189,248	109,341
Other receivables	25	659,145	572,250
Current tax recoverable	11	27,725	176,522
Deposits with financial institutions	26	11,022,305	6,161,262
Cash and bank balances	26	1,124,076	575,296
Total assets		**74,505,374**	**61,159,185**
LIABILITIES			
Deferred tax liability	27	158,618	172,978
Insurance contract liabilities	29	19,644,653	15,112,757
Payable under deposit administration contracts	30	26,864,350	21,026,848
Unearned premium reserve	31	6,608,846	6,355,840
Creditors arising out of direct insurance arrangements		130,325	69,846
Creditors arising out of reinsurance arrangements		1,186,822	1,901,454
Trade and other payables	32	1,600,892	1,525,667
Dividends payable		265,928	194,004
Borrowings	33	1,373,680	1,305,953
Current tax payable	11	192,229	153,083
Total liabilities		**58,026,343**	**47,818,430**
EQUITY			
Share capital	12	299,475	299,475
Reserves	13	3,205,055	2,560,600
Retained earnings		11,484,875	9,212,032
Proposed dividends	14	449,212	359,370
Equity attributable to owners of the company		**15,438,617**	**12,431,477**
Non-controlling interest	17 (iii)	1,040,414	909,278
Total equity		**16,479,031**	**13,340,755**
Total liabilities and equity		**74,505,374**	**61,159,185**

The financial statements on pages 22 to 90 were approved by the Board of Directors on 24 March 2015 and signed on its behalf by:

Nizar N Juma
Chairman

Sultan K Khimji
Director

The notes on pages 30 to 90 are an integral part of these financial statements.

	Note	2014 Kshs '000	2013 Kshs '000
ASSETS			
Property and equipment	15(i)	23,790	1,441
Investment in associates	17 (i)	838,251	838,251
Investment in subsidiaries	17 (ii)	1,782,129	1,712,029
Deferred income tax asset	27	316	9,774
Unquoted shares at fair value through other comprehensive income	18	12,007	12,007
Quoted shares at fair value through other comprehensive income	19	12,785	21,755
Deposits with financial institutions	26	1,961	1,824
Due from related parties	35	153,367	151,941
Other receivables	25	24,439	114,271
Current income tax recoverable	11	9,218	9,354
Cash and bank balances	26	66,686	37,784
Total assets		**2,924,949**	**2,910,431**
LIABILITIES			
Deferred income tax liability	27	-	73
Due to related parties	35	538,857	669,658
Dividends payable		265,928	194,004
Trade and other payables	32	14,634	17,264
Total liabilities		**819,419**	**880,999**
EQUITY			
Share capital	12	299,475	299,475
Reserves	13	64,981	73,951
Retained earnings		1,291,862	1,296,636
Proposed dividends	14	449,212	359,370
Total equity		**2,105,530**	**2,029,432**
Total liabilities and equity		**2,924,949**	**2,910,431**

The financial statements on pages 22 to 90 were approved by the Board of Directors on 24 March 2015 and signed on its behalf by:

Nizar N Juma
Chairman

Sultan K Khimji
Director

The notes on pages 30 to 90 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

Year ended 31 December 2013	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
At start of year:												
As previously stated		299,475	(329,005)	70,000	(411,491)	551,207	-	7,480,077	359,370	8,019,633	680,056	8,699,689
Prior year reclassification	38	-	-	-	-	-	1,213,394	-	-	1,213,394	-	1,213,394
As restated		**299,475**	**(329,005)**	**70,000**	**(411,491)**	**551,207**	**1,213,394**	**7,480,077**	**359,370**	**9,233,027**	**680,056**	**9,913,083**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**2,254,689**	**-**	**2,254,689**	**248,128**	**2,502,817**
Other comprehensive income												
Change in fair value of financial assets through OCI	13 (a)	-	560,627	-	-	-	-	-	-	560,627	3,698	564,325
Transfer to retained earnings on disposal	13 (a)	-	(186)	-	-	-	-	186	-	-	-	-
Net translation loss	13(c)	-	-	-	274,620	-	-	-	-	274,620	(22,604)	252,016
Transfer to contingency reserves	13 (d)	-	-	-	-	103,655	-	(103,655)	-	-	-	-
Total comprehensive income for the year		**-**	**560,441**	**-**	**274,620**	**103,655**	**-**	**2,151,220**	**-**	**3,089,936**	**229,222**	**3,319,158**
Transactions with owners:												
Dividends:												
Final for 2012 paid	14	-	-	-	-	-	-	-	(359,370)	(359,370)	-	(359,370)
Interim for 2013 paid	14	-	-	-	-	-	-	(59,895)	-	(59,895)	-	(59,895)
Final for 2013 proposed	14	-	-	-	-	-	-	(359,370)	359,370	-	-	-
Total transactions with owners		**-**	**-**	**-**	**-**	**-**	**-**	**(419,265)**	**-**	**(419,265)**	**-**	**(419,265)**
Transfer from life fund	13 (e)	-	-	-	-	-	527,779	-	-	527,779	-	527,779
At end of year		**299,475**	**231,436**	**70,000**	**(136,871)**	**654,862**	**1,741,173**	**9,212,032**	**359,370**	**12,431,477**	**909,278**	**13,340,755**

The notes on pages 30 to 90 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

	Notes	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 2014												
At start of year:												
As previously stated		299,475	231,436	70,000	(136,871)	654,862	-	9,212,032	359,370	10,690,304	909,278	11,599,582
Prior year reclassification	38	-	-	-	-	-	1,741,173	-	-	1,741,173	-	1,741,173
As restated		**299,475**	**231,436**	**70,000**	**(136,871)**	**654,862**	**1,741,173**	**9,212,032**	**359,370**	**12,431,477**	**909,278**	**13,340,755**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**2,879,572**	**-**	**2,879,572**	**224,081**	**3,103,653**
Other comprehensive income												
Other fair value gains on share of associates through OCI	17 (i)	-	515,239	-	-	-	-	-	-	515,239	-	515,239
Change in fair value of financial assets through OCI	13 (a)	-	228,251	-	-	-	-	-	-	228,251	(2,852)	225,399
Transfer to retained earnings on disposal	13 (a)	-	(48)	-	-	-	-	48	-	-	-	-
Net translation loss	13(c)	-	-	-	(413,820)	-	-	-	-	(413,820)	(90,093)	(503,913)
Transfer to contingency reserves	13 (d)	-	-	-	-	97,670	-	(97,670)	-	-	-	-
Total comprehensive income for the year		**-**	**743,442**	**-**	**(413,820)**	**97,670**	**-**	**2,781,950**	**-**	**3,209,242**	**131,136**	**3,340,378**
Transactions with owners:												
Dividends:												
Final for 2013 paid	14	-	-	-	-	-	-	-	(359,370)	(359,370)	-	(359,370)
Interim for 2014 paid	14	-	-	-	-	-	-	(59,895)	-	(59,895)	-	(59,895)
Final for 2014 proposed	14	-	-	-	-	-	-	(449,212)	449,212	-	-	-
Total transactions with owners		**-**	**-**	**-**	**-**	**-**	**-**	**(509,107)**	**89,842**	**(419,265)**	**-**	**(419,265)**
Transfer from life fund	13 (e)	-	-	-	-	-	217,163	-	-	217,163	-	217,163
At end of year		**299,475**	**974,878**	**70,000**	**(550,691)**	**752,532**	**1,958,336**	**11,484,875**	**449,212**	**15,438,617**	**1,040,414**	**16,479,031**

The notes on pages 30 to 90 are an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	Share Capital Kshs '000	Fair Value Reserves Kshs '000	General Reserves Kshs '000	Retained Earnings Kshs '000	Proposed Dividends Kshs '000	Total Equity Kshs '000
Year ended 31 December 2013							
At start of year		299,475	(731)	70,000	1,331,040	359,370	2,059,154
Profit for the year		**-**	**-**	**-**	**384,861**	**-**	**384,861**
Other comprehensive Income							
Change in fair value of financial assets through other comprehensive income	13 (a)	-	4,682	-	-	-	4,682
Total comprehensive income for the year		**-**	**4,682**	**-**	**384,861**	**-**	**389,543**
Transactions with owners:							
Dividends:							
Final for 2012 paid	14	-	-	-	-	(359,370)	(359,370)
Interim for 2013 paid	14	-	-	-	(59,895)	-	(59,895)
Final for 2013 proposed	14	-	-	-	(359,370)	359,370	-
Total transactions with owners		**-**	**-**	**-**	**(419,265)**	**-**	**(419,265)**
At end of year		**299,475**	**3,951**	**70,000**	**1,296,636**	**359,370**	**2,029,432**
Year ended 31 December 2014							
At start of year		299,475	3,951	70,000	1,296,636	359,370	2,029,432
Profit for the year		**-**	**-**	**-**	**504,333**	**-**	**504,333**
Other comprehensive Income							
Change in fair value of financial assets through other comprehensive income	13 (a)	-	(8,970)	-	-	-	(8,970)
Total comprehensive income for the year		**-**	**(8,970)**	**-**	**504,333**	**-**	**495,363**
Transactions with owners:							
Dividends:							
Final for 2013 paid	14	-	-	-	-	(359,370)	(359,370)
Interim for 2014 paid	14	-	-	-	(59,895)	-	(59,895)
Final for 2014 proposed	14	-	-	-	(449,212)	449,212	-
Total transactions with owners		**-**	**-**	**-**	**(509,107)**	**89,842**	**(419,265)**
At end of year		**299,475**	**(5,019)**	**70,000**	**1,291,862**	**449,212**	**2,105,530**

The notes on pages 30 to 90 are an integral part of these financial statement.

		GROUP	
	Note	2014 Kshs '000	2013 Kshs '000
Cash flow from operating activities			
Profit before income tax		3,949,285	3,151,188
Adjustments for: -			
Depreciation and amortisation	15	84,701	67,428
Impairment of insurance receivables	4 (c)	123,247	-
Fair value gains on equity investments at fair value through profit and loss	18 & 19	(1,234,767)	(1,887,877)
Investment income and other income	7	(4,833,582)	(3,697,032)
Share of result of associates after income tax	17 (i)	(1,481,568)	(970,513)
Operating profit before changes to receivables and payables		**(3,392,684)**	**(3,336,806)**
Change in deposit administration contracts	30 & 13(e)	6,362,350	6,120,610
Change in insurance contract liabilities and reserves	29, 31 & 13(e)	4,488,552	4,104,587
Change in premium, reinsurance and other receivables		(982)	(3,831,231)
Change in reinsurance and other payables		(578,928)	870,045
Cash generated from operations		**6,878,308**	**3,927,205**
Income tax paid	11	(657,445)	(611,288)
Net cash inflow from operating activities		**6,220,863**	**3,315,917**
Cash flow from investing activities			
Rent, interest and dividend received		4,234,650	3,288,533
Dividends received from associates	17 (i)	213,445	194,667
Proceeds from sale of quoted shares		151,465	884,678
Proceeds from disposal of property and equipment		3,204	3,855
Proceeds from part redemption of shares in associate	17 (i)	492,016	506,851
Purchase of property and equipment	15	(134,564)	(96,042)
Net additions of investment properties	16	(106,031)	(480,388)
Purchase of quoted shares	19	(1,297,005)	(452,772)
Purchase of unquoted shares	18	(6,862)	(338,717)
Mortgage loans advanced	20 (i)	(26,011)	(26,832)
Mortgage loans repaid	20 (i)	11,630	13,708
Loans on life insurance policies advanced	20 (ii)	(117,281)	(176,470)
Loans on life insurance policies repaid	20 (ii)	268,087	62,361
Net purchase of government securities	21	(2,855,596)	(5,959,050)
Net (purchase)/proceeds of commercial bonds	22	(809,102)	122,622
Net cash inflow/(outflow) from investing activities		**22,045**	**(2,452,996)**
Cash flow from financing activities			
Dividends paid		(419,265)	(419,265)
Net cash outflow from financing activities		**(419,265)**	**(419,265)**
Increase in cash and cash equivalents		5,823,643	443,656
Cash and cash equivalents at start of year	26	6,736,558	6,018,282
Exchange (loss)/gain on translation of cash and cash equivalents in foreign currencies	13(c)	(413,820)	274,620
Cash and cash equivalents at end of year	**26**	**12,146,381**	**6,736,558**

The notes on pages 30 to 90 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 750 (2013:650) people through its subsidiaries.

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

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

For purposes of the Kenya Companies Act reporting purposes, the balance sheet is represented by statement of financial position while the profit and loss account is represented by the statement 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 37 and apply to the Group and the Company. These policies have been consistently applied to all years presented, unless otherwise stated.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The critical accounting estimates and assumptions applied in the year are:

a) Insurance contracts

The estimation of future benefit payments from long-term insurance contracts is the Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims.

Management applies judgment in the estimation of incurred but not yet reported claims (IBNR) whereby the Group uses historical experience to estimate the ultimate cost of claims and the IBNR provision. This involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to claims data for each accident year that is not fully developed to produce an estimated ultimate claims cost for each accident year. Note 29 contains further details on the estimation of insurance liabilities.

The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims.

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

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

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

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

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

b) Income tax

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

c) Measurement of fair value

Valuation of investment property

Investment property comprises freehold land and buildings carried at fair value. Fair value is based on valuation performed by an independent valuation expert. In performing the valuation the valuer uses discounted cash flow projections which incorporate assumptions around the continued demand for rental space, sustainability of growth in rent rates as well as makes reference to recent sales. The change in these assumptions could result in a significant change in the carrying value of investment property.

Valuation of unquoted shares

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

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

The Group's activities expose it to a variety of risks, including insurance risk, financial risk, credit risk, and the effects of changes in property values, debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the identification and management of risks and seeks to minimise potential adverse effects on its financial performance, by use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients, and defined criteria for the approval of intermediaries and reinsurers. Investment policies are in place which help manage liquidity, and seek to maximise return within an acceptable level of interest rate risk.

This section summarises the way the Group manages key risks:

(i) Insurance risk

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

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

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments. The average estimated rate of investment return is 12% p.a. Were the average future investment returns to decrease by 1% from management's estimates, the insurance liability would increase by Kshs 35 million (2013: Kshs 39.7 million) while significant enough deterioration in estimates is immediately recognized to make the liabilities adequate.

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

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

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

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(i) Insurance risk (continued)

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

Year ended 31 December 2014

Class of business		Maximum insured loss				
General Insurance business		**Kshs 0 m - Kshs 15m Kshs'000**	**Kshs 15m - Kshs 250m Kshs'000**	**Kshs 250m - Kshs 1000m Kshs'000**	**Kshs 1000m + Kshs'000**	**Total Kshs'000**
Motor	Gross	46,058,765	10,441,576	5,078,625	1,503,986	63,082,952
	Net	34,045,790	10,441,576	5,078,625	1,503,986	51,069,977
Fire	Gross	20,749,734	109,490,017	108,305,393	287,540,660	526,085,804
	Net	16,541,542	58,912,204	13,638,728	4,880,000	93,972,474
Personal accident	Gross	3,909,530	41,590,397	4,442,235	10,939,515	60,881,677
	Net	3,126,019	18,233,255	780,000	180,000	22,319,274
Other	Gross	44,950,457	212,084,786	96,110,426	374,742,620	727,888,289
	Net	32,085,883	122,545,250	58,810,877	131,127,884	344,569,894
Life assurance business						
Ordinary life	Gross	16,197,680	383,429	-	-	16,581,109
	Net	15,921,908	27,000	-	-	15,948,908
Group life	Gross	885,783,841	222,241,508	1,987,408	-	1,110,012,757
	Net	679,272,292	25,425,000	15,000	-	704,712,292
Total	**Gross**	**1,017,650,007**	**596,231,713**	**215,924,087**	**674,726,781**	**2,504,532,588**
	Net	**780,993,434**	**235,584,285**	**78,323,230**	**137,691,870**	**1,232,592,819**

Year ended 31 December 2013

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

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(ii) Financial risk

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

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

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

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

	US Dollar Kshs'000	Uganda Shillings Kshs'000	Tanzania Shillings Kshs'000	Mauritius Rupees Kshs'000	Burundi Francs Kshs'000	Total Kshs'000
Exchange Risk						
As at 31 December 2014:						
ASSETS						
Receivables arising out of reinsurance arrangements	-	134,318	343,420	93,240	62,462	633,440
Deferred acquisition costs	-	-	13,829	92,295	-	106,124
Deposit with financial institutions	505,401	2,773,160	1,219,986	55,275	299,636	4,853,458
Cash and bank balances	-	164,930	135,013	32,052	44,313	376,308
Total assets	**505,401**	**3,072,408**	**1,712,248**	**272,862**	**406,411**	**5,969,330**
LIABILITIES						
Provision for unearned premium	-	1,008,566	820,789	531,032	161,215	2,521,602
Insurance contract liabilities	-	1,801,825	1,247,252	370,919	105,274	3,525,270
Deferred acquisition costs	-	31,121	-	-	8,555	39,676
Creditors arising out of reinsurance arrangements	-	327,374	329,271	50,234	119,461	826,340
Borrowings	1,373,680	-	-	-	-	1,373,680
Total liabilities	**1,373,680**	**3,168,886**	**2,397,312**	**952,185**	**394,505**	**8,286,568**
Net position	**(868,279)**	**(96,478)**	**(685,064)**	**(679,323)**	**11,906**	**(2,317,238)**

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(ii) Financial risk (Continued)

(a) Market risk (Continued)

i) Foreign Exchange (Continued)

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

At 31 December 2014, if the Shilling had weakened/strengthened by 10% against the US dollar with all other variables held constant, the post-tax profit for the year would have been Kshs 15.2 million (2013: Kshs 19.8 million) higher/lower, mainly as a result of US dollar receivables and bank balances.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(ii) Financial risk (Continued)

(a) Market Risk (Continued)

(i) Foreign exchange risk (Continued)

	Average Rate		Closing Rate	
	2014	2013	2014	2013
	Kshs	Kshs	Kshs	Kshs
US Dollar	88.4538	86.1692	90.5978	86.3097
Ugandan Shilling	29.8745	30.2156	30.5748	29.1741
Tanzanian Shilling	18.8573	18.5217	19.0954	18.6191
Mauritian Rupee	2.7122	2.7144	2.7086	2.7159
Burundi Franc	17.5144	17.8600	17.1749	17.8538

(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 2014, if the NSE, USE and DSE indices had increased/decreased by 8% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation to the index, the post-tax profit would have been Kshs 74.9 million (2013: Kshs 12.4million) higher/lower and equity would have been Kshs 767.3 million (2013: Kshs 579.8 million) higher/lower.

Company

At 31 December, 2014 the Company did not hold any shares in the Nairobi Securities Exchange. If the USE and DSE indices had increased/ decreased by 8% with all other variables held constant, all the companies' equity instruments moved according to the historical correlation to the index, than equity movement would not have been significant.

(b) Cash flow and fair value interest rate risk

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

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

The Group's variable interest rate financial instruments are some of the quoted corporate bonds – Barclays Bank Medium Term Loan.

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

For liabilities under long-term insurance contracts with fixed and guaranteed terms, changes in interest rate will not cause a change to the amount of the liability, unless the change is severe enough to trigger a liability adequacy test adjustment. The level of the reduction of the level of interest rate that will trigger an adjustment is an interest rate of 1%. An additional liability of Kshs 250 million (2013: Kshs 122 million) would be required as a result of a further worsening of 20% in mortality.

Investment contracts with fixed and guaranteed terms, government securities and deposits with financial institutions held to maturity are accounted for at amortized cost and their carrying amounts are not sensitive to changes in the level of interest rates.

At 31 December 2014, if interest rates on quoted corporate bonds at that date had been 5% higher/lower with all other variables held constant, post-tax profit for the year would have been Kshs 8.5 million (2013: Kshs 0.2 million) higher/lower, mainly as a result of higher/ lower interest income on floating rate quoted corporate bonds.

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, corporate bonds and deposits with banks and other receivables.

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

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

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

The amount that best represents the Group's and Company's maximum exposure to credit risk at 31 December, 2014 is made up as follows:

	Group		Company	
	2014	2013	2014	2013
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Maximum exposure to credit risk before collateral held				
Receivables arising out of reinsurance arrangements	1,713,259	1,889,223	-	-
Receivables arising out of direct insurance arrangements	3,653,899	3,563,752	-	-
Reinsurers' share of insurance liabilities	6,833,940	6,913,943	-	-
Government securities at armortised cost	21,923,229	19,067,633	-	-
Commercial bonds	1,696,519	887,417	-	-
Cash and bank balances	1,124,076	575,296	66,686	37,784
Loans on life insurance policies	361,981	512,944	-	-
Mortgage loans	44,102	29,067	-	-
Deposits with financial institutions	11,022,305	6,161,262	1,961	1,824
Other receivables	659,145	572,251	24,439	114,271
Totals	**49,032,455**	**40,172,788**	**93,086**	**153,879**

Surrender value of the life insurance policies and title documents are held as collateral for loans on life policies and mortgage loans respectively. All receivables that are neither past due or impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

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

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

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

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

ii) Financial risk (continued)

(c) Credit risk (continued)

	Direct Insurance Arrangements		Reinsurance Arrangements	
	2014	2013	2014	2013
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Neither past due nor impaired	1,713,172	1,228,525	254,427	170,365
Past due but not impaired	2,091,902	2,365,674	641,276	1,123,656
Impaired	276,030	273,511	827,166	604,877
Gross	**4,081,104**	**3,867,710**	**1,722,869**	**1,898,898**
Less: allowance for impairment	(427,205)	(303,958)	(9,610)	(9,675)
Net	**3,653,899**	**3,563,752**	**1,713,259**	**1,889,223**

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

	Direct Insurance Arrangements		Reinsurance Arrangements	
	2014	2013	2014	2013
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
At start of year	303,958	286,121	9,675	9,176
Increase/(decrease) in the year	123,247	17,837	(65)	499
At end of year	**427,205**	**303,958**	**9,610**	**9,675**

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

	Direct Insurance Arrangements		Reinsurance Arrangements	
	2014	2013	2014	2013
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Past due but not impaired:				
- by up to 30 days	628,848	689,331	346,289	33,824
- by 31 to 60 days	591,925	1,018,945	179,557	949,604
- by 61 to 150 days	517,154	361,918	51,302	14,442
- by 151 to 360 days	353,975	295,480	64,128	125,786
Total past due but not impaired	**2,091,902**	**2,365,674**	**641,276**	**1,123,656**

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.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

ii) Financial risk (Continued)

(c) Credit risk (Continued)

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	
	2014	2013	2014	2013
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Individually assessed impaired receivables				
- brokers	88,991	231,989	88,991	-
- agents	-	13,059	-	-
- insurance companies	186,521	5,070	738,175	604,877
- direct clients	518	23,393	-	-
Total	**276,030**	**273,511**	**827,166**	**604,877**

(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.

Year ended 31 December 2014	Up to 1 month Kshs '000	1 to 3 months Kshs '000	3 to 12 months Kshs '000	1 to 5 years Kshs '000	Total Kshs '000
Insurance contract liabilities	-	-	-	19,644,653	19,644,653
Payable under deposit administration contracts	-	-	-	26,864,350	26,864,350
Creditors arising out of direct insurance arrangements	-	-	-	130,325	130,325
Creditors arising out of reinsurance arrangements	-	-	-	1,186,822	1,186,822
Trade and other payables	275,711	12,861	-	1,312,320	1,600,892
Borrowings	-	-	1,373,680	-	1,373,680
Totals	**275,711**	**12,861**	**1,373,680**	**49,138,470**	**50,800,722**

Year ended 31 December 2013	Up to 1 month Kshs '000	1 to 3 months Kshs '000	3 to 12 months Kshs '000	1 to 5 years Kshs '000	Total Kshs '000
Insurance contract liabilities	-	-	4,852,545	10,260,212	15,112,757
Payable under deposit administration contracts	-	-	-	21,026,848	21,026,848
Creditors arising out of direct insurance arrangements	-	-	69,846	-	69,846
Creditors arising out of reinsurance arrangements	-	-	1,901,454	-	1,901,454
Trade and other payables	203,821	56,603	1,265,243	-	1,525,667
Borrowings	-	-	1,305,953	-	1,305,953
Totals	**203,821**	**56,603**	**9,395,041**	**31,287,060**	**40,942,525**

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 Nairobi Securities Exchange 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.

	Carrying amount					Fair value heirarchy			
31 December 2014	**Designated at fair value through profit or loss Kshs '000**	**Amortised cost Kshs '000**	**Designated at fair value through OCI Kshs '000**	**Other financial liabilities Kshs '000**	**Total Kshs '000**	**Level 1 Kshs '000**	**Level 2 Kshs '000**	**Level 3 Kshs '000**	**Total Kshs '000**
Financial assets measured at fair value									
Equity securities	10,347,988	-	1,817,944	-	12,165,932	9,724,066	-	2,441,866	12,165,932
Financial assets not measured at fair value									
Mortgage loans	-	44,102	-	-	44,102	-	44,102	-	44,102
Loans on life insurance policies	-	361,981	-	-	361,981	-	361,981	-	361,981
Government securities	-	21,923,229	-	-	21,923,229	-	21,923,229	-	21,923,229
Commercial bonds	-	1,696,519	-	-	1,696,519	-	1,696,519	-	1,696,519
Trade and other receivables	-	659,145	-	-	659,145	-	659,145	-	659,145
Cash and cash equivalents	-	12,146,381	-	-	12,146,381	-	12,146,381	-	12,146,381
	10,347,988	**36,831,357**	**1,817,944**	**-**	**48,997,289**	**9,724,066**	**36,831,357**	**2,441,866**	**48,997,289**
Financial liabilities not measured at fair value									
Trade and other payables	-	-	-	(1,600,892)	(1,600,892)	-	(1,600,892)	-	(1,600,892)
Dividend payable	-	-	-	(265,928)	(265,928)	-	(265,928)	-	(265,928)
Borrowings	-	-	-	(1,373,680)	(1,373,680)	-	(1,373,680)	-	(1,373,680)
	-	**-**	**-**	**(3,240,500)**	**(3,240,500)**	**-**	**(3,240,500)**	**-**	**(3,240,500)**

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

ii) Financial Risk (Continued)

(e) Fair value estimation (continued)

GROUP

31 December 2013	Carrying Amount					Fair value heirarchy			
	Designated at fair value through profit or loss Kshs '000	Amortised cost Kshs '000	Designated at fair value through OCI Kshs '000	Other financial liabilities Kshs '000	Total Kshs '000	Level 1 Kshs '000	Level 2 Kshs '000	Level 3 Kshs '000	Total Kshs '000
Financial assets measured at fair value									
Equity securities	7,981,438	-	1,553,840	-	9,535,278	7,373,435	-	2,161,843	9,535,278
Financial assets not measured at fair value									
Mortgage loans	-	29,067	-	-	29,067	-	29,067	-	29,067
Loans on life insurance policies	-	512,945	-	-	512,945	-	512,945	-	512,945
Government securities	-	19,067,633	-	-	19,067,633	-	19,067,633	-	19,067,633
Commercial bonds	-	887,417	-	-	887,417	-	887,417	-	887,417
Trade and other receivables	-	575,250	-	-	575,250	-	575,250	-	575,250
Cash and cash equivalents	-	6,736,558	-	-	6,736,558	-	6,736,558	-	6,736,558
	7,981,438	**27,808,870**	**1,553,840**	**-**	**37,344,148**	**7,373,435**	**27,808,870**	**2,161,843**	**37,344,148**
Financial liabilities not measured at fair value									
Trade and other payables	-	-	-	(1,525,667)	(1,525,667)	-	(1,525,667)	-	(1,525,667)
Dividend payable	-	-	-	(194,004)	(194,004)	-	(194,004)	-	(194,004)
Borrowings	-	-	-	(1,305,953)	(1,305,953)	-	(1,305,953)	-	(1,305,953)
	-	**-**	**-**	**(3,025,624)**	**(3,025,624)**	**-**	**(3,025,624)**	**-**	**(3,025,624)**

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

ii) Financial Risk (Continued)

(e) Fair value estimation (continued)

Specific valuation techniques used to value financial instruments include:

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

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

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

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

Please refer to Note 16 on investment property.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

ii) Financial Risk (Continued)

(e) Fair value estimation (continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2014.

	Unquoted shares 2014 Kshs '000	Unquoted shares 2013 Kshs '000
Opening balance	2,161,843	1,615,346
Additions	6,862	338,717
Gains and losses recognised in other comprehensive income	1,420	-
Gains and losses recognised in profit or loss	273,739	207,625
Exchange variation	(1,998)	155
Closing balance (Note 18)	**2,441,866**	**2,161,843**
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period (Note 18)	273,739	207,625

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

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

2014	Kenya Kshs '000	Uganda Kshs '000	Tanzania Kshs '000	Burundi Kshs '000	Mauritius Kshs '000	Total Kshs '000
Amount of paid up capital	2,500,000	392,706	127,690	30,574	140,234	**3,191,204**
Regulatory capital requirements	450,000	228,947	108,553	19,380	75,000	**881,880**

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

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

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

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

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

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

ii) Financial Risk (Continued)

(f) Capital risk management (continued)

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

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

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

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

5. SEGMENT INFORMATION

Operating Segments

Operating Segment results For the year ended 31 December 2014	General Kshs '000	Ordinary, Group Life & Pensions Kshs '000	Investments Kshs '000	Total Kshs '000
Gross earned premium revenue	18,341,964	6,440,079	-	24,782,043
Outward reinsurance	(8,065,604)	(385,218)	-	(8,450,822)
Net insurance premium revenue	**10,276,360**	**6,054,861**	**-**	**16,331,221**
Investment and other income	971,742	3,269,356	592,483	4,833,582
Net fair value gains on financial assets	175,742	1,059,025	-	1,234,767
Commission earned	1,853,692	122,623	-	1,976,315
Total income	**13,277,536**	**10,505,865**	**592,483**	**24,375,885**
Claims and policy holders benefits payable	(11,090,551)	(9,391,473)	-	(20,482,024)
Claims recoverable from re-insurers	4,400,238	211,307	-	4,611,545
Net insurance benefits and claims	**(6,690,313)**	**(9,180,166)**	**-**	**(15,870,479)**
Operating and other expenses	(2,116,741)	(818,826)	(171,149)	(3,106,716)
Commission payable	(2,089,762)	(791,466)	-	(2,881,228)
Total expenses and commissions	**(4,206,503)**	**(1,610,292)**	**(171,149)**	**(5,987,944)**
Result of operating activities	**2,380,720**	**(284,593)**	**421,334**	**2,517,462**
Finance costs	-	-	(49,745)	(49,745)
Share of result of associates	256,773	424,552	800,243	1,481,568
Group profit before income tax	**2,637,493**	**139,959**	**1,171,832**	**3,949,285**
Income tax expense	(714,668)	(41,894)	(89,070)	(845,632)
Profit for the year	**1,922,825**	**98,065**	**1,082,762**	**3,103,653**
For the year ended 31 December 2013				
Gross earned premium revenue	15,289,281	2,798,665	-	18,087,946
Less: outward reinsurance	(6,912,803)	(401,758)	-	(7,314,561)
Net insurance premium revenue	**8,376,478**	**2,396,907**	**-**	**10,773,385**
Investment and other income	1,010,238	2,578,694	108,100	3,697,032
Net fair value gains on financial assets	160,754	1,727,123	-	1,887,877
Commission earned	1,673,357	10,988	-	1,684,345
Total income	**11,220,827**	**6,713,712**	**108,100**	**18,042,639**
Claims and policy holders benefits payable	(11,163,404)	(5,472,641)	-	(16,636,045)
Claims recoverable from re-insurers	5,462,632	187,859	-	5,650,491
Net insurance benefits and claims	**(5,700,772)**	**(5,284,782)**	**-**	**(10,985,554)**
Operating and other expenses	(1,661,961)	(675,197)	(146,470)	(2,483,628)
Commission payable	(1,780,309)	(564,844)	-	(2,345,153)
Total expenses and commissions	**(3,442,270)**	**(1,240,041)**	**(146,470)**	**(4,828,781)**
Result of operating activities	2,077,785	188,889	(38,370)	2,228,304
Finance costs	-	-	(47,629)	(47,629)
Share of result of associates	122,414	121,207	726,892	970,513
Group profit before income tax	**2,200,199**	**310,096**	**640,893**	**3,151,188**
Income tax expense	(526,575)	(93,028)	(28,768)	(648,371)
Profit for the year	**1,673,624**	**217,068**	**612,125**	**2,502,817**

5. SEGMENT INFORMATION (CONTINUED)
Operating Segments (Continued)

Segment assets and Liabilities As at 31 December 2014	General	Ordinary, Group Life & Pensions	Investments	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Property and equipment	109,175	50,031	25,342	184,548
Intangible assets	18,650	4,432	-	23,082
Investment properties	257,606	3,577,000	1,238,586	5,073,192
Investment in associates	1,478,431	1,606,762	4,647,850	7,733,043
Deferred income tax asset	72,131	-	4,018	76,149
Investment in shares	3,238,135	8,739,714	188,083	12,165,932
Mortgage loans	4,503	39,599	-	44,102
Loans on life insurance policies	-	361,981	-	361,981
Government securities at armortised cost	3,127,382	18,795,847	-	21,923,229
Commercial bonds	147,381	1,549,138	-	1,696,519
Premium receivables	4,801,690	565,468	-	5,367,158
Reinsurers' share of insurance contract liabilities	6,728,940	105,000	-	6,833,940
Deffered acquisition costs	189,248	-	-	189,248
Other receivables	408,688	223,891	26,566	659,145
Current income tax recoverable	17,133	-	10,592	27,725
Deposits with financial institutions	3,504,958	6,208,562	1,308,785	11,022,305
Cash and bank balances	558,414	467,514	98,148	1,124,076
Total assets	**24,662,465**	**42,294,939**	**7,547,970**	**74,505,374**
Deferred income tax liability	56,094	63,508	39,016	158,618
Insurance contract liabilities	7,857,416	11,787,237	-	19,644,653
Payable under deposit administration contracts	-	26,864,350	-	26,864,350
Unearned premium reserve	6,608,846	-	-	6,608,846
Creditors arising out of direct insurance arrangements	93,966	36,359	-	130,325
Creditors arising out of reinsurance arrangements	1,091,739	95,083	-	1,186,822
Trade and other payables	851,459	669,666	345,695	1,866,820
Borrowings	-	-	1,373,680	1,373,680
Current income tax payable	147,965	-	44,264	192,229
Total liabilities	**16,707,485**	**39,516,203**	**1,802,655**	**58,026,343**
Net assets	**7,954,980**	**2,778,736**	**5,745,315**	**16,479,031**

5. SEGMENT INFORMATION (CONTINUED)

Operating Segments (Continued)

Segment assets and liabilities As at 31 December 2013	General Kshs '000	Ordinary, Group Life & Pensions Kshs '000	Investments Kshs '000	Total Kshs '000
Property and equipment	105,520	54,676	3,133	163,329
Investment properties	244,910	3,140,720	1,059,961	4,445,591
Investment in associates	1,100,649	1,233,099	4,131,835	6,465,583
Deferred income tax asset	68,061	-	22,692	90,753
Investment in shares	2,711,665	6,703,890	119,723	9,535,278
Mortgage loans	6,184	22,883	-	29,067
Loans on life insurance policies	-	512,945	-	512,945
Government securities at armortised cost	3,461,501	15,606,132	-	19,067,633
Commercial bonds	320,606	566,811	-	887,417
Premium receivables	4,978,305	474,670	-	5,452,975
Reinsurers' share of insurance contract liabilities	6,780,287	133,656	-	6,913,943
Deffered acquisition costs	109,341	-	-	109,341
Other receivables	222,706	230,193	119,351	572,250
Current income tax recoverable	22,004	-	154,518	176,522
Deposits with financial institutions	2,485,560	3,065,765	609,937	6,161,262
Cash and bank balances	163,296	306,412	105,588	575,296
Total assets	**22,780,595**	**32,051,852**	**6,326,738**	**61,159,185**
Deferred income tax liability	35,948	63,509	73,521	172,978
Insurance contract liabilities	7,396,797	7,715,960	-	15,112,757
Payable under deposit administration contracts	-	21,026,848	-	21,026,848
Unearned premium reserve	6,355,840	-	-	6,355,840
Creditors arising out of direct insurance arrangements	-	69,846	-	69,846
Creditors arising out of reinsurance arrangements	1,780,614	120,840	-	1,901,454
Trade and other payables	713,881	740,673	265,117	1,719,671
Borrowings	-	-	1,305,953	1,305,953
Current income tax payable	148,265	-	4,818	153,083
Total liabilities	**16,431,345**	**29,737,676**	**1,649,409**	**47,818,430**
Net assets	**6,349,250**	**2,314,176**	**4,677,329**	**13,340,755**

5. SEGMENT INFORMATION (CONTINUED)

Geographical Segments

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

Geographical Segment results For the year ended 31 December 2014	Kenya Kshs '000	Uganda Kshs '000	Tanzania Kshs '000	Mauritius Kshs '000	Burundi Kshs '000	Total Kshs '000
Gross earned premium revenue	16,021,325	3,161,907	4,082,245	1,217,070	299,496	24,782,043
Outward reinsurance	(3,049,642)	(1,920,634)	(2,631,088)	(634,133)	(215,325)	(8,450,822)
Net insurance premium revenue	**12,971,683**	**1,241,273**	**1,451,157**	**582,937**	**84,171**	**16,331,221**
Investment and other income	3,716,430	853,326	207,803	8,216	47,807	4,833,582
Net fair value gains on financial assets	1,234,767	-	-	-	-	1,234,767
Commission earned	742,537	401,143	615,342	170,098	47,195	1,976,315
Total income	**18,665,417**	**2,495,742**	**2,274,302**	**761,251**	**179,173**	**24,375,885**
Claims and policy holders benefits payable	(15,596,326)	(1,474,042)	(2,266,264)	(961,123)	(184,269)	(20,482,024)
Claims recoverable from re-insurers	1,883,519	850,350	1,280,711	472,831	124,133	4,611,545
Net insurance benefits and claims	(13,712,807)	(623,692)	(985,553)	(488,291)	(60,136)	(15,870,479)
Operating and other expenses	(2,005,641)	(370,664)	(497,141)	(168,285)	(64,985)	(3,106,716)
Commission payable	(1,882,611)	(311,527)	(530,700)	(136,806)	(19,584)	(2,881,228)
Total expenses and commissions	**(3,888,252)**	**(682,191)**	**(1,027,841)**	**(305,091)**	**(84,569)**	**(5,987,944)**
Result of operating activities	**1,064,359**	**1,189,858**	**260,908**	**(32,132)**	**34,468**	**2,517,462**
Finance costs	-	(49,745)	-	-	-	(49,745)
Share of result of associates	1,046,587	434,981	-	-	-	1,481,568
Group profit before income tax	**2,110,945**	**1,575,095**	**260,908**	**(32,132)**	**34,468**	**3,949,285**
Income tax expense	(422,638)	(320,375)	(95,269)	-	(7,350)	(845,632)
Profit for the year	**1,688,307**	**1,254,720**	**165,639**	**(32,132)**	**27,118**	**3,103,653**
For the year ended 31 December 2013						
Gross earned premium revenue	10,834,309	2,833,837	3,235,244	954,877	229,679	18,087,946
Outward reinsurance	(2,636,326)	(1,829,510)	(2,095,395)	(583,645)	(169,685)	(7,314,561)
Net insurance premium revenue	**8,197,983**	**1,004,327**	**1,139,849**	**371,232**	**59,994**	**10,773,385**
Investment and other income	2,917,971	419,274	315,782	8,519	35,486	3,697,032
Net fair value gains on financial assets	1,887,877	-	-	-	-	1,887,877
Commission earned	571,193	373,486	536,872	161,921	40,873	1,684,345
Total income	**13,575,024**	**1,797,087**	**1,992,503**	**541,672**	**136,353**	**18,042,639**
Claims and policy holders benefits payable	(12,186,349)	(1,506,018)	(2,063,440)	(764,397)	(115,841)	(16,636,045)
Claims recoverable from re-insurers	2,991,708	920,224	1,197,185	463,898	77,476	5,650,491
Net insurance benefits and claims	**(9,194,641)**	**(585,794)**	**(866,255)**	**(300,499)**	**(38,365)**	**(10,985,554)**
Operating and other expenses	(1,628,447)	(293,130)	(379,736)	(125,946)	(56,369)	(2,483,628)
Commission payable	(1,533,677)	(266,569)	(423,136)	(109,323)	(12,448)	(2,345,153)
Total expenses and commissions	**(3,162,124)**	**(559,699)**	**(802,872)**	**(235,269)**	**(68,817)**	**(4,828,781)**
Result of operating activities	**1,218,259**	**651,594**	**323,376**	**5,904**	**29,171**	**2,228,304**
Finance costs	-	(47,629)	-	-	-	(47,629)
Share of result of associates	539,344	431,169	-	-	-	970,513
Group profit before income tax	**1,757,603**	**1,035,134**	**323,376**	**5,904**	**29,171**	**3,151,188**
Income tax expense	(389,889)	(149,359)	(102,834)	-	(6,289)	(648,371)
Profit for the year	**1,367,714**	**885,775**	**220,542**	**5,904**	**22,882**	**2,502,817**

5. SEGMENT INFORMATION (CONTINUED)

Geographical Segments (Continued)

Segment assets and Liabilities

As at 31 December 2014	Kenya	Uganda	Tanzania	Mauritius	Burundi	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Property and equipment	104,096	18,303	44,890	7,516	9,743	184,548
Intangible assets	1,968	-	14,702	6,412	-	23,082
Investment properties	3,577,000	1,152,320	257,607	-	86,265	5,073,192
Investment in associates	5,813,937	1,919,106	-	-	-	7,733,043
Deferred income tax asset	64,124	11,070	-	-	955	76,149
Investment in shares	11,731,365	376,717	57,850	-	-	12,165,932
Mortgage loans	39,599	4,503	-	-	-	44,102
Loans on life insurance policies	354,352	3,071	3,389	-	1,169	361,981
Government securities at armortised cost	20,809,635	809,085	304,509	-	-	21,923,229
Commercial bonds	1,686,707	9,812	-	-	-	1,696,519
Premium receivables	3,355,480	971,158	721,473	255,958	63,089	5,367,158
Reinsurers' insurance contract liabilities	3,361,596	1,487,947	1,445,017	383,075	156,305	6,833,940
Deffered acquisition costs	266,554	(34,277)	(14,475)	(12,721)	(15,833)	189,248
Other receivables	421,959	40,047	34,065	117,677	45,397	659,145
Current income tax recoverable	10,592	-	17,133	-	-	27,725
Deposits with financial institutions	6,588,056	2,859,887	1,219,986	49,674	304,702	11,022,305
Cash and bank balances	730,005	163,677	134,881	43,549	51,964	1,124,076
Total assets	**58,917,025**	**9,792,426**	**4,241,027**	**851,140**	**703,756**	**74,505,374**
Deferred income tax liability	79,003	37,157	42,458	-	-	158,618
Insurance contract liabilities	16,512,506	1,663,314	1,101,776	287,692	79,365	19,644,653
Payable under deposit administration contracts	26,214,963	181,412	342,988	-	124,987	26,864,350
Unearned premium reserve	3,702,736	987,471	1,407,417	378,865	132,357	6,608,846
Creditors arising out of direct insurance	90,053	-	40,272	-	-	130,325
Creditors arising out of reinsurance	360,615	327,374	329,138	50,234	119,461	1,186,822
Trade and other payables	1,439,951	288,971	44,449	22,175	71,274	1,866,820
Borrowings	-	1,373,680	-	-	-	1,373,680
Current income tax payable	84,203	102,884	-	-	5,142	192,229
Total liabilities	**48,484,030**	**4,962,263**	**3,308,498**	**738,966**	**532,586**	**58,026,343**
Net assets	**10,432,995**	**4,830,163**	**932,529**	**112,174**	**171,170**	**16,479,031**

5. SEGMENT INFORMATION (CONTINUED)

Geographical Segments (Continued)

Segment assets and Liabilities

As at 31 December 2013	Kenya	Uganda	Tanzania	Mauritius	Burundi	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Property and equipment	86,640	17,765	29,021	17,642	12,261	163,329
Investment properties	3,140,720	977,640	244,910	-	82,321	4,445,591
Investment in associates	4,406,826	2,058,757	-	-	-	6,465,583
Deferred income tax asset	49,942	39,738	-	-	1,073	90,753
Investment in shares	9,300,900	167,019	57,893	-	9,466	9,535,278
Mortgage loans	22,883	6,184	-	-	-	29,067
Loans on life insurance policies	508,353	-	3,423	-	1,169	512,945
Government securities at armortised cost	17,565,774	1,071,352	430,507	-	-	19,067,633
Commercial bonds	837,715	49,702	-	-	-	887,417
Premium receivables	3,526,804	950,573	560,766	336,909	77,923	5,452,975
Reinsurers' insurance contract liabilities	3,428,582	1,692,625	1,299,164	379,461	114,111	6,913,943
Deffered acquisition costs	218,148	(45,770)	(37,891)	(14,570)	(10,576)	109,341
Other receivables	469,482	26,581	32,323	4,814	39,050	572,250
Current income tax recoverable	10,974	143,544	22,004	-	-	176,522
Deposits with financial institutions	3,396,291	1,601,358	922,573	49,809	191,231	6,161,262
Cash and bank balances	287,377	141,281	62,645	65,437	18,556	575,296
Total assets	**47,257,411**	**8,898,349**	**3,627,338**	**839,502**	**536,585**	**61,159,185**
Deferred income tax liability	75,746	62,424	34,808	-	-	172,978
Insurance contract liabilities	12,187,687	1,687,022	1,001,872	192,901	43,275	15,112,757
Payable under deposit administration contracts	20,547,195	119,779	292,020	-	67,854	21,026,848
Unearned premium reserve	3,505,659	1,131,608	1,167,655	440,516	110,402	6,355,840
Creditors arising out of direct insurance	69,846	-	-	-	-	69,846
Creditors arising out of reinsurance	1,003,547	435,708	244,054	113,163	104,982	1,901,454
Trade and other payables	1,422,470	155,249	82,050	12,276	47,626	1,719,671
Borrowings	-	1,305,953	-	-	-	1,305,953
Current income tax payable	135,672	3,629	-	-	13,782	153,083
Bank overdraft	-	-	-	-	-	-
Total liabilities	**38,947,822**	**4,901,372**	**2,822,459**	**758,856**	**387,921**	**47,818,430**
Net assets	**8,309,589**	**3,996,977**	**804,879**	**80,646**	**148,664**	**13,340,755**

6. GROSS EARNED PREMIUM

Group

Short-Term business

Premium earned by principal class of business:	2014			2013		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Motor	4,444,057	912,138	3,531,919	3,826,210	688,122	3,138,088
Fire	2,640,923	2,032,060	608,863	2,162,767	1,724,319	438,448
Accident	3,046,384	1,935,386	1,110,998	2,523,987	1,560,020	963,967
Medical	7,441,256	2,699,857	4,741,399	5,937,634	2,330,353	3,607,281
Other	769,344	485,849	283,495	838,683	609,989	228,694
Total Short-Term	**18,341,964**	**8,065,290**	**10,276,674**	**15,289,281**	**6,912,803**	**8,376,478**

Long-Term business

Premium earned by principal class of business:	2014			2013		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Ordinary life	2,016,950	3,653	2,013,297	1,471,284	5,748	1,465,536
Group life	1,144,337	381,879	762,458	911,499	396,010	515,489
Pension/annuity	3,278,792	-	3,278,792	415,882	-	415,882
Total Long -Term	**6,440,079**	**385,532**	**6,054,547**	**2,798,665**	**401,758**	**2,396,907**
Total Short-Term and Long - Term	**24,782,043**	**8,450,822**	**16,331,221**	**18,087,946**	**7,314,561**	**10,773,385**

7. INVESTMENT AND OTHER INCOME

Group

	2014	2013
	Kshs '000	Kshs '000
Government securities interest	2,316,134	2,148,912
Bank deposit interest	1,011,888	581,709
Policy loans interest	57,161	73,831
Mortgage loan interest	17,932	1,691
Realized gains on disposal of quoted shares	24,351	253,158
Rental income from investment properties (net of expenses)	257,159	246,648
Dividends receivable from equity investments	517,570	190,047
Fair value gain on investment properties (Note 16)	574,582	149,015
Exchange gain/(loss)	23,244	(4,864)
Other income	33,561	56,885
Total	**4,833,582**	**3,697,032**

8. CLAIMS AND POLICY HOLDER BENEFITS PAYABLE

Group

Short-Term business

Claims payable by principal class of business	2014			2013		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Motor	2,752,488	556,325	2,196,163	2,688,637	504,859	2,183,778
Fire	431,659	297,121	134,538	2,291,810	2,112,053	179,757
Accident	2,262,582	1,293,599	968,983	1,540,991	974,664	566,327
Medical	5,411,986	2,147,733	3,264,253	4,382,862	1,732,763	2,650,099
Other	231,836	105,460	126,376	259,104	138,293	120,811
Total Short-Term	**11,090,551**	**4,400,238**	**6,690,313**	**11,163,404**	**5,462,632**	**5,700,772**

Long-Term business

Claims payable by principal class of business	2014			2013		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Ordinary life	679,980	1,119	678,861	538,877	742	538,135
Group life	531,352	210,188	321,164	392,391	187,117	205,274
Pension/annuity	420,879	-	420,879	329,953	-	329,953
Total Long -Term	**1,632,211**	**211,307**	**1,420,904**	**1,261,221**	**187,859**	**1,073,362**

Policy Holder Benefits

Increase in policy holders benefits	2014			2013		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Ordinary life	937,873	-	937,873	384,632	-	384,632
Group life	472,313	-	472,313	160,975	-	160,975
Pension/annuity	6,349,076	-	6,349,076	3,665,813	-	3,665,813
Total Long - Term	**7,759,262**	**-**	**7,759,262**	**4,211,420**	**-**	**4,211,420**
Total Long - Term - Claims & policy holders benefits	**9,391,473**	**211,307**	**9,180,166**	**5,472,641**	**187,859**	**5,284,782**
Total Short-Term and Long - Term	**20,482,024**	**4,611,545**	**15,870,479**	**16,636,045**	**5,650,491**	**10,985,554**

9. OPERATING EXPENSES

Group

The breakdown of operating expenses is given below:

	2014	2013
	Kshs '000	Kshs '000
Employee benefits expense (Note 10)	1,544,405	1,286,021
Administrative costs	686,344	654,998
Premium tax and policy holder compensation fund	216,302	126,563
Impairment charge for doubtful premium receivables	123,247	17,837
Operating lease rentals - land and buildings	114,321	108,777
Marketing costs	97,850	76,441
Professional fees	87,420	65,568
Depreciation and amortisation (Note 15)	84,701	67,428
Travelling costs	48,294	9,681
Repairs and maintenance expenditure	39,122	15,351
Communication costs	26,609	26,194
Auditors' remuneration	19,755	18,185
Software maintenance and printing costs	18,346	10,584
Total	**3,106,716**	**2,483,628**

10. (i) EMPLOYEE BENEFITS EXPENSE

Group

	2014	2013
	Kshs '000	Kshs '000
Salaries and wages	1,313,522	1,080,841
Social security costs	30,750	26,880
Retirement benefit costs – defined contribution plan	53,907	41,267
Other benefits	146,226	137,033
Total	**1,544,405**	**1,286,021**

(ii) KEY MANAGEMENT COMPENSATION AND DIRECTORS' REMUNERATION

Group

Key management compensation & directors' fees	2014	2013
	Kshs '000	Kshs '000
Salaries and other employment benefits	261,879	157,050
Fees for services as directors'	4,705	3,197
Total	**266,584**	**160,247**

There were no loans given to Directors in the year ended 31 December 2014 (2013: Nil).

11. INCOME TAX EXPENSE

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

	Group		Company	
	2014	2013	2014	2013
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Profit before income tax	3,949,285	3,151,188	787,631	596,550
Tax calculated at the enacted domestic tax rate	1,247,365	971,150	236,289	178,965
Effect of :				
Income not subject to income tax	(577,433)	(370,920)	(275,125)	(220,711)
Expenses not deductible for tax purposes	194,916	161,234	51,299	34,015
Transfer of life fund to shareholders	(41,894)	(93,028)	-	-
Prior year under/(over) provision	22,678	(20,065)	(2,708)	-
Income tax charge	**845,632**	**648,371**	**9,755**	**(7,731)**
Current income tax	845,388	599,137	370	791
Deferred income tax (Note 27)	244	49,234	9,385	(8,522)
	845,632	**648,371**	**9,755**	**(7,731)**

Movement in the tax payable/(recoverable) account is as follows;	2014	2013	2014	2013
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
At start of year	(23,439)	(11,288)	(9,354)	(10,145)
Taxation charge	822,710	619,202	3,078	791
Prior year under/(over) provision	22,678	(20,065)	(2,708)	-
Taxation paid	(657,445)	(611,288)	(234)	-
At end of year	**164,504**	**(23,439)**	**(9,218)**	**(9,354)**

Disclosed as follows;	2014	2013	2014	2013
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Current income tax recoverable	(27,725)	(176,522)	(9,218)	(9,354)
Current income tax payable	192,229	153,083	-	-
Total	**164,504**	**(23,439)**	**(9,218)**	**(9,354)**

12. SHARE CAPITAL

The total authorized number of ordinary shares is 70,000,000 (2013: 70,000,000) with a par value of Kshs 5 per share. At 31 December 2014 59,895,000 ordinary shares were in issue (2013:59,895,000 ordinary shares). All issued shares are fully paid.

Share Capital (Group and Company)

	Share Capital 2014 Kshs '000	Share Capital 2013 Kshs '000	Number of shares 2014 '000	Number of shares 2013 '000
Authorised	350,000	350,000	70,000	70,000
Issued and fully paid:				
At start and end of year	**299,475**	**299,475**	**59,895**	**59,895**

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.

13. RESERVES

The breakdown of reserves is as follows:

	Group		Company	
	2014	2013	2014	2013
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Fair value reserves	974,878	231,436	(5,019)	3,951
General reserves	70,000	70,000	70,000	70,000
Translation reserves	(550,691)	(136,871)	-	-
Contingency reserves	752,532	654,862	-	-
Statutory reserve	1,958,336	1,741,173	-	-
Total	**3,205,055**	**2,560,600**	**64,981**	**73,951**

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

	Group		Company	
a) Fair value reserves	2014	2013	2014	2013
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
At start of year	231,436	(329,005)	3,951	(731)
Associate share of other comprehesive income	515,239	-	-	-
Fair value gain through other comprehensive income	228,251	560,627	(8,970)	4,682
Transfer to retained earnings on disposal	(48)	(186)	-	-
At end of year	**974,878**	**231,436**	**(5,019)**	**3,951**

The fair value reserve is non-distributable.

b) General reserves (Group and Company)	2014	2013
	Kshs '000	Kshs '000
At start and end of year	70,000	70,000

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

c) Translation reserves (Group)	2014	2013
	Kshs '000	Kshs '000
At start of year	(136,871)	(411,491)
Movement for the year	(413,820)	274,620
At end of year	**(550,691)**	**(136,871)**

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

13. RESERVES (CONTINUED)

d) Contingency reserves (Group)	2014	2013
	Kshs '000	Kshs '000
At start of year	654,862	551,207
Transfer from retained earnings	97,670	103,655
At end of year	**752,532**	**654,862**

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

e) Statutory reserve (Group)	2014	2013
	Kshs '000	Kshs '000
At start of year	1,741,173	1,213,394
Allocated from the life funds	217,163	527,779
At end of year	**1,958,336**	**1,741,173**

This represents the actuarial surplus of the Kenyan life fund after distribution of profits to the shareholders and bonus to policy holders.

14. DIVIDENDS PER SHARE

Proposed dividend is accounted for as a separate component of equity until ratified at an Annual General Meeting. During the year an interim dividend of Kshs 59.895 million was paid (2013: Kshs 59.895 million) or Kshs 1.00 per share (2013: Kshs 1.00 per share). At the Annual General Meeting to be held on 8 June, 2015, a final dividend of Kshs 449.212 million (2013: Kshs 359.370 million) is to be proposed, which is Kshs 7.50 per share (2013: Kshs 6.00 per share). The total dividend is therefore Kshs 509.107 million (2013: Kshs 419.625 million) or Kshs 8.50 per share (2013: Kshs 7.00 per share).

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

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

15. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)

(i) PROPERTY AND EQUIPMENT (CONTINUED)

Group

Year ended 31 December 2014	Computer equipment Kshs '000	Motor vehicles Kshs '000	Furniture fixtures, fittings, & office equipment Kshs '000	Total Kshs '000
Cost				
At start of year	312,592	61,929	245,907	620,428
Additions	34,381	9,576	66,411	110,368
Disposals	-	(1,500)	(32)	(1,532)
Reclassification to intangible assets	(8,150)	-	-	(8,150)
Exchange loss	(7,948)	(1,147)	(1,339)	(10,434)
At end of year	**330,875**	**68,858**	**310,947**	**710,680**
Accumulated depreciation				
At start of year	254,129	37,512	165,458	457,099
Charge for the year	39,200	10,135	27,126	76,461
Disposals	-	(1,500)	(23)	(1,523)
Reclassification to intangible assets	(955)	-	-	(955)
Exchange loss	(2,841)	(879)	(1,230)	(4,950)
At end of year	**289,533**	**45,268**	**191,331**	**526,132**
Net book value	**41,342**	**23,590**	**119,616**	**184,548**

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

15. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)

(i) PROPERTY AND EQUIPMENT (CONTINUED)

Company

Year ended 31 December 2014	Computer equipment Kshs '000	Furniture fixtures, fittings, & office equipment Kshs '000	Total Kshs '000
Cost			
At start of year	201	1,452	1,653
Additions	-	26,712	26,712
At end of year	**201**	**28,164**	**28,365**
Accumulated depreciation			
At start of year	67	145	212
Charge for the year	67	4,296	4,363
At end of year	**134**	**4,441**	**4,575**
Net book value	**67**	**23,723**	**23,790**

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

15 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)
(ii) INTANGIBLE ASSETS
GROUP

Group Year ended 31 December 2014	Total Kshs '000
Cost	
At start of year	-
Additions	24,196
Reclassification from computer equipment	8,150
Exchange loss	(167)
At end of year	**32,179**
Accumulated amortisation	
At start of year	-
Charge for the year	8,240
Reclassification from computer equipment	955
Exchange loss	(98)
At end of year	**9,097**
Net carrying amount	**23,082**

Intangible assets relates to computer software. All other softwares have been fully ammortised during the year other than the medical system which is still under development. Its costs are included as part of other receivables- un commissioned IT projects.

16. INVESTMENT PROPERTIES

Group

	2014 Kshs '000	2013 Kshs '000
At start of year	4,445,591	3,752,785
Net additions	106,031	480,388
Fair value gains (Note 7)	574,582	149,015
Exchange (loss)/gain	(53,012)	63,403
At end of year	**5,073,192**	**4,445,591**

Investment property comprises a number of commercial properties that are leased to third parties. Investment property in Tanzania was valued by Redfearn International Limited on the basis of open market value. Investment properties include properties situated outside Kenya valued at Kshs 1,496 million (2013: Kshs 1,305 million).

17. INVESTMENT IN ASSOCIATED COMPANIES AND SUBSIDIARIES

i. INVESTMENT IN ASSOCIATES

Movement in Net Assets

Group

2014	Opening Balance Kshs'000	Additions/ (disposals) Kshs'000	Dividends received Kshs'000	Share of result Kshs'000	Share of OCI Kshs'000	Translation gain Kshs'000	Closing Balance Kshs'000
IPS Power Investments Ltd	169,268	-	-	-	-	-	169,268
PDML (Holding) Limited	1,550,517	-	(9,904)	373,953	-	-	1,914,566
Bujagali Holding Power Company Limited	2,020,129	(492,016)	(20,102)	434,981	-	(23,886)	1,919,106
FCL Holding Ltd	1,308,321	-	(183,439)	442,997	515,239	-	2,083,118
IPS Cable Holding Systems Ltd	1,417,348	-	-	229,637	-	-	1,646,985
Total	**6,465,583**	**(492,016)**	**(213,445)**	**1,481,568**	**515,239**	**(23,886)**	**7,733,043**

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

Company

Investment at cost	2014 Kshs'000	2013 Kshs'000
FCL Holding Ltd	484,969	484,969
IPS Cable Holding Systems Ltd	353,282	353,282
Total	**838,251**	**838,251**

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

The associates have been equity accounted in these financial statements using results based on draft financial statements as at 31 December 2014. Final audited financial statements will be available later in the year and the adjustment to reflect the final audited financial statements will be made in the subsequent year. The total adjustment for the year ended 31 December 2013 of Kshs 6,799,739 is included in the current year share of result.

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

17. INVESTMENT IN ASSOCIATES AND SUBSIDIARIES (CONTINUED)

i. INVESTMENT IN ASSOCIATES (CONTINUED)
Group

	IPS Power Investments Limited	PDML Holdings Limited	Bujagali Holding Power Company Limited	FCL Holding Limited	IPS Cable Holding Systems Limited	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Country of incorporation	Kenya	Kenya	Uganda	Kenya	Mauritius	
Interest held	27%	37%	25%	30%	33%	
2014						
Assets	1,481,720	6,355,774	29,735,973	5,690,769	8,461,750	51,725,986
Liabilities	(331)	(809,347)	(20,896,095)	(934,467)	(2,709,345)	(25,349,585)
Net assets	**1,481,389**	**5,546,427**	**8,839,878**	**4,756,302**	**5,752,405**	**26,376,401**
Revenue	382,619	501,168	-	8,091,091	809,447	9,784,325
Profit after tax	382,108	1,007,992	1,710,566	899,420	687,803	4,687,889
Cash flows from operating activities	712,426	256,013	(305,717)	845,536	(2,965)	1,505,293
Cash flows from investing activities	-	(368,710)	4,087,288	(98,978)	659,427	4,279,027
Cash flows from financing activities	(712,092)	(30,080)	(3,845,922)	(624,894)	(770,508)	(5,983,496)
Net increase/ (decrease) in cash and cash equivalents	**334**	**(142,777)**	**(64,351)**	**121,664**	**(114,046)**	**(199,176)**
2013						
Assets	4,271,467	5,501,257	28,815,786	3,757,986	8,017,864	50,364,360
Liabilities	793,531	947,676	20,083,602	892,015	3,220,990	25,937,814
Net assets	**3,477,936**	**4,553,581**	**8,732,184**	**2,865,971**	**4,796,874**	**24,426,546**
Revenue	4,454,690	482,336	59,469	7,666,256	526,466	13,189,217
Profit after tax	761,267	338,650	1,767,982	867,607	373,627	4,109,133
Cash flows from operating activities	723,199	232,706	(324,836)	567,952	(3,566)	1,195,455
Cash flows from investing activities	(345)	(93,809)	4,390,834	(163,398)	387,567	4,520,849
Cash flows from financing activities	(357,442)	(30,209)	(4,510,316)	(508,000)	(571,065)	(5,977,032)
Net increase/ (decrease) in cash and cash equivalents	**365,412**	**108,688**	**(444,318)**	**(103,446)**	**(187,064)**	**(260,728)**

17. INVESTMENT IN ASSOCIATES AND SUBSIDIARIES (CONTINUED)

i. INVESTMENT IN ASSOCIATES (CONTINUED)

Company

	FCL Holding Limited Kshs'000	IPS Cable Holding Systems Limited Kshs'000	Total Kshs'000
Country of incorporation	Kenya	Mauritius	
Interest held	30%	33%	
2014			
Assets	5,690,769	8,461,750	14,152,519
Liabilities	(934,467)	(2,709,345)	(3,643,812)
Net assets	**4,756,302**	**5,752,405**	**10,508,707**
Revenue	8,091,091	809,447	8,900,538
Profit after tax	899,420	687,803	1,587,223
Cash flows from operating activities	845,536	(2,965)	842,571
Cash flows from investing activities	(98,978)	659,427	560,449
Cash flows from financing activities	(624,894)	(770,508)	(1,395,402)
Net increase/(decrease) in cash and cash equivalents	**121,664**	**(114,046)**	**7,618**
2013			
Assets	3,757,986	8,017,864	11,775,850
Liabilities	892,015	3,220,990	4,113,005
Net assets	**2,865,971**	**4,796,874**	**7,662,845**
Revenue	7,666,256	526,466	8,192,722
Profit after tax	867,607	373,627	1,241,234
Cash flows from operating activities	567,952	(3,566)	564,386
Cash flows from investing activities	(163,398)	387,567	224,169
Cash flows from financing activities	(508,000)	(571,065)	(1,079,065)
Net decrease in cash and cash equivalents	**(103,446)**	**(187,064)**	**(290,510)**

17. INVESTMENT IN ASSOCIATES AND SUBSIDIARIES (CONTINUED)
ii. INVESTMENT IN SUBSIDIARIES

Company	Investment at Cost 2014 Kshs'000	Investment at Cost 2013 Kshs'000	Equity Held 2014 %	Equity Held 2013 %
Jubilee Insurance Company of Kenya Limited	450,000	450,000	100%	100%
Jubilee Insurance Company of Tanzania Limited	36,456	72,911	51%	51%
Jubilee Life Insurance Corporation of Tanzania Limited	36,455	-	51%	-
Jubilee Insurance Company of Uganda Limited	12,598	25,195	65%	65%
Jubilee Life Insurance Company of Uganda Limited	12,597	-	65%	-
Jubilee Insurance (Mauritius) Limited	129,592	59,492	80%	80%
Jubilee Investment Company Limited (Uganda)	1,103,707	1,103,707	100%	100%
Jubilee Investment Company Limited (Tanzania)	298	298	100%	100%
Jubilee Investment Company Limited (Burundi)	426	426	100%	100%
Total	**1,782,129**	**1,712,029**		

The Jubilee Investments Company Limited owns 35% equity of both The Jubilee Insurance Company of Uganda Limited and Jubilee Life Insurance Company of Uganda Limited, and 10% equity of Jubilee Insurance (Mauritius) Ltd. The Group holds 70% of Jubilee Insurance Burundi through Jubilee Investments Burundi (33%), Jubilee Investment Uganda (33%) and Jubilee Investments Tanzania (4%). The Group holds 80% of Jubilee Center Burundi, a property investment company through it's subsidiary Jubilee Investment Company of Burundi. The Group holds 100% of Jubilee Financial Services Ltd, a fund management company, through its subsidiary The Jubilee Insurance Company of Kenya Ltd. During the year, the Group completed the split of the composite insurance companies in Tanzania and Uganda which resulted in the transfer of part of the investment to the Life companies.

17. INVESTMENT IN ASSOCIATES AND SUBSIDIARIES (CONTINUED)
iii. NON CONTROLLING INTEREST(NCI)

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

2014	Jubilee Insurance Uganda Kshs'000	Jubilee Insurance Tanzania Kshs'000	Jubilee Insurance Mauritius Kshs'000	Jubilee Insurance Burundi Kshs'000	Jubilee Centre Burundi Kshs'000	Adjustment Kshs'000	Total Kshs'000
NCI percentage	**35%**	**49%**	**20%**	**30%**	**20%**		
Assets	5,128,601	4,261,968	854,047	615,883	100,313	-	10,960,812
Liabilities	(3,494,096)	(3,360,089)	(846,190)	(544,305)	(82,260)	-	(8,326,940)
Net assets	**1,634,505**	**901,879**	**7,857**	**71,578**	**18,053**	**-**	**2,633,872**
Carrying amount of NCI	571,838	441,920	1,571	21,474	3,611	-	1,040,414
Revenue	1,241,274	1,450,842	582,937	84,172	-	-	3,359,225
Profit	404,730	165,640	(32,132)	22,426	4,801	-	565,465
OCI	(92,025)	(19,002)	113	2,251	597	-	(108,066)
Total comprehensive income	**312,705**	**146,638**	**(32,019)**	**24,677**	**5,398**	**-**	**457,399**
Profit allocated to NCI	141,655	81,164	(6,426)	6,728	960	-	224,081
OCI allocated to NCI	(32,209)	(9,310)	23	675	119	(52,243)	(92,945)
Total allocated to NCI	**109,446**	**71,854**	**(6,403)**	**7,403**	**1,079**	**(52,243)**	**131,136**
Cash flows from operating activities	(422,528)	359,099	(13,295,567)	49,673	(2,262,932)	-	(15,572,255)
Cash flows from investing activities	(168,127)	(255,354)	(32,734,439)	13,286	76,710,259	-	43,565,625
Cash flows from financing activities	(196,299)	(29,057)	-	-	-	-	(225,356)
Net increase/ (decrease) in cash and cash equivalents	**(786,954)**	**74,688**	**(46,030,006)**	**62,959**	**74,447,327**	**-**	**27,768,014**

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

17. INVESTMENT IN ASSOCIATED COMPANIES AND SUBSIDIARIES (CONTINUED)

iii. NON CONTROLLING INTEREST (CONTINUED)

2013	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	4,974,371	3,648,405	840,411	447,828	92,243	-	10,003,258
Liabilities	(3,538,914)	(2,841,132)	(865,702)	(400,928)	(79,588)	-	(7,726,264)
Net assets	**1,435,457**	**807,273**	**(25,291)**	**46,900**	**12,655**	**-**	**2,276,994**
Carrying amount of NCI	502,171	395,564	(5,058)	14,070	2,531	-	909,278
Revenue	1,004,326	1,139,850	371,232	59,993	-		2,575,401
Profit	378,853	220,544	5,905	16,704	6,357	-	628,363
OCI	96,521	(7,718)	(27)	27	6	-	88,809
Total comprehensive income	**475,374**	**212,826**	**5,878**	**16,731**	**6,363**	**-**	**717,172**
Profit allocated to NCI	132,598	108,067	1,181	5,011	1,271	-	248,128
OCI allocated to NCI	33,782	(3,782)	(5)	8	1	(48,910)	(18,906)
Total allocated to NCI	**166,380**	**104,285**	**1,176**	**5,019**	**1,272**	**(48,910)**	**229,222**
Cash flow from operating activities	227,350	178,358	(8,688)	66,513	(2,662)	-	460,871
Cash flow from investing activities	(115,110)	(151,538)	958	9,105	9,601	-	(246,984)
Cash flows from financing activities	(100,974)	(27,940)	-	-	-	-	(128,914)
Net increase/(decrease) in cash and cash equivalents	**11,266**	**(1,120)**	**(7,730)**	**75,618**	**6,939**	**-**	**84,973**

18. UNQUOTED SHARES

Group

	FV Through P/L	FV Through OCI	Total	FV Through P/L	FV Through OCI	Total
	2014	2014	2014	2013	2013	2013
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
At start of year	2,071,259	90,584	2,161,843	1,552,111	63,235	1,615,346
Additions/transfers	-	6,862	6,862	311,523	27,194	338,717
Fair value gain through other comprehensive income	-	1,420	1,420	-	-	-
Fair value gain through profit and loss	273,739	-	273,739	207,625	-	207,625
Exchange (loss)/gain	-	(1,998)	(1,998)	-	155	155
At end of year	**2,344,998**	**96,868**	**2,441,866**	**2,071,259**	**90,584**	**2,161,843**

Company

	FV Through OCI	FV Through OCI
	2014	2013
	Kshs'000	Kshs'000
At start and end of year	12,007	12,007

19. QUOTED SHARES

Group

	FV Through P/L 2014 Kshs'000	FV Through OCI 2014 Kshs'000	Total 2014 Kshs'000	FV Through P/L 2013 Kshs'000	FV Through OCI 2013 Kshs'000	Total 2013 Kshs'000
At start of year	5,910,179	1,463,256	7,373,435	4,409,470	892,407	5,301,877
Additions	1,235,415	61,590	1,297,005	451,412	1,360	452,772
Disposals	(103,632)	(23,484)	(127,116)	(630,955)	(379)	(631,334)
Transfer to retained earnings on disposal	-	(48)	(48)	-	(186)	(186)
Fair value gain through other comprehensive income	-	223,979	223,979	-	564,325	564,325
Fair value gain through profit or loss	961,028	-	961,028	1,680,252	-	1,680,252
Exchange (loss)/gain	-	(4,217)	(4,217)	-	5,729	5,729
At end of year	**8,002,990**	**1,721,076**	**9,724,066**	**5,910,179**	**1,463,256**	**7,373,435**

Company

	FV Through OCI 2014 Kshs'000	FV Through OCI 2013 Kshs'000
At start of year	21,755	17,073
Fair value (loss)/gain through other comprehensive income	(8,970)	4,682
At end of year	**12,785**	**21,755**

20. LOANS RECEIVABLE

(i) Group

i) Mortgage loans	**2014**	**2013**
Movement	**Kshs '000**	**Kshs '000**
At start of year	29,067	22,316
Loans advanced	21,000	18,748
Accrued interest and penalties	5,011	8,084
Provision for impairment gains during the year	905	(6,751)
Redemptions/repayments	(11,630)	(13,708)
Exchange (loss)/gain	(251)	378
At end of year	**44,102**	**29,067**
Maturity profile		
Loans maturing		
Within 1 year	180	216
In 1-5 years	4,323	5,283
In over 5 years	39,599	23,568
Total	**44,102**	**29,067**

20. LOANS RECEIVABLE (CONTINUED)

Group

ii)Policy loans	2014	2013
Movement	**Kshs '000**	**Kshs '000**
At start of year	512,945	398,836
Loans advanced	60,031	124,144
Interest	57,250	52,326
Loan repayments	(268,087)	(62,361)
Exchange loss	(158)	-
At end of year	**361,981**	**512,945**
Maturity profile		
Loans maturing		
Within 1 year	36,763	6,398
In 1-5 years	172,275	242,132
In over 5 years	152,943	264,415
Total	**361,981**	**512,945**

21. GOVERNMENT SECURITIES AT AMORTISED COST

Group

Movement	2014	2013
	Kshs '000	**Kshs '000**
At start of year	19,067,633	13,108,583
Additions	4,830,976	9,502,837
Maturities	(1,922,014)	(3,606,301)
Exchange (loss)/gain	(53,366)	62,514
At end of year	**21,923,229**	**19,067,633**
Maturity Profile		
Treasury bills maturing within 91 days after the date of acquisition	176,756	1,311,247
Treasury bonds maturing within 1 year	2,467,356	451,373
Treasury bonds maturing in 1-5 years	7,145,883	7,697,618
Treasury bonds maturing after 5 years	12,133,234	9,607,395
Total	**21,923,229**	**19,067,633**

22. COMMERCIAL BONDS

Group

	2014	2013
	Kshs '000	**Kshs '000**
At start of year	887,417	1,010,039
Additions	1,137,446	150,795
Maturities	(326,949)	(276,730)
Exchange (loss)/gain	(1,395)	3,313
At end of year	**1,696,519**	**887,417**

23. REINSURERS' SHARE OF INSURANCE CONTRACT LIABILITIES

Group

	2014	2013
Reinsurers' share of:	Kshs '000	Kshs '000
- Unearned premium (Note 31)	3,358,077	2,721,648
- Notified claims outstanding and IBNR (Note 36)	3,475,863	4,192,295
Total	**6,833,940**	**6,913,943**

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

24. DEFERRED ACQUISITION COSTS

Group

	2014	2013
	Kshs '000	Kshs '000
At start of year	109,341	143,002
Net increase/(decrease)	77,244	(30,503)
Exchange gain/(loss)	2,663	(3,158)
At end of year	**189,248**	**109,341**

25. OTHER RECEIVABLES

	Group		Company	
	2014	2013	2014	2013
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Deposits - Office rent and utilities	101,811	55,655	2,425	-
Prepayments	72,469	137,131	-	1,500
Recoverable advances	52,627	23,041	22,014	-
Staff accounts	10,860	29,815	-	-
Sundry debtors	421,378	326,608	-	112,771
Total	**659,145**	**572,250**	**24,439**	**114,271**

26. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2014	2013	2014	2013
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Cash and bank balances	1,124,076	575,296	66,686	37,784
Short-term deposits with banks	11,022,305	6,161,262	1,961	1,824
Total	**12,146,381**	**6,736,558**	**68,647**	**39,608**

27. DEFERRED INCOME TAX

Deferred income tax is calculated, in full, on all temporary differences using a principal tax rate of 30% (2013: 30%). The movement in the deferred income tax account is as follow;

	Group		Company	
	2014	2013	2014	2013
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
At start of year	82,225	32,991	(9,701)	(1,179)
Income statement charge/(credit)	244	49,234	9,385	(8,522)
At end of year	**82,469**	**82,225**	**(316)**	**(9,701)**
Deferred tax asset	(76,149)	(90,753)	(316)	(9,774)
Deferred tax liability	158,618	172,978	-	73
Net deferred income tax liability/(asset)	**82,469**	**82,225**	**(316)**	**(9,701)**

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

	Group Kshs '000			Company Kshs '000		
2014	**1 January**	**Charged to profit or loss**	**31 December**	**1 January**	**Charged to profit or loss**	**31 December**
Fair value gains on investment properties	169,240	-	169,240	-	-	-
Accelerated depreciation	13,053	20,202	33,255	-	-	-
Impairment provisions	(49,039)	(16,683)	(65,722)	-	-	-
Other deductible temporary differences	(51,029)	(3,275)	(54,304)	(9,701)	9,385	(316)
Net deferred income tax liability/(asset)	**82,225**	**244**	**82,469**	**(9,701)**	**9,385**	**(316)**
2013	**1 January**	**Charged to profit or loss**	**31 December**	**1 January**	**Charged to profit or loss**	**31 December**
Fair value gains on investment properties	169,240	-	169,240	-	-	-
Accelerated depreciation	(35,498)	48,551	13,053	-	-	-
Impairment provisions	(63,473)	14,434	(49,039)	-	-	-
Other deductible temporary differences	(37,278)	(13,751)	(51,029)	(1,179)	(8,522)	(9,701)
Net deferred income tax liability/(asset)	**32,991**	**49,234**	**82,225**	**(1,179)**	**(8,522)**	**(9,701)**

28. EARNINGS PER SHARE

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

Group

	2014	2013
Net profit attributable to Shareholders **(Kshs'000)**	2,879,572	2,254,689
Number of ordinary shares in issue	59,895	59,895
Earnings per share (Kshs)-Basic and diluted	48	38

There were no potentially dilutive shares in issue at 31 December 2014 and 31 December 2013. Diluted earnings per share are therefore the same as basic earnings per share.

29. INSURANCE CONTRACT LIABILITIES

	2014 Kshs '000	2013 Kshs '000
Short-Term insurance contracts		
Claims reported and claims handling expenses	6,345,858	5,929,199
Claims incurred but not reported (IBNR)	1,511,558	1,467,598
Total Short-Term	**7,857,416**	**7,396,797**
Long-Term insurance contracts		
Claims reported and claims handling expenses	342,574	535,845
Actuarial value of long term liabilities	11,444,663	7,180,115
Total Long-Term	**11,787,237**	**7,715,960**
Total Short-Term and Long-Term	**19,644,653**	**15,112,757**

Gross claims reported, claims handling expenses liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvage and subrogation. The expected recoveries at the end of 2014 and 2013 are not material.

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

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

Short –Term Insurance contracts

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

Accident year	**2010 Kshs'000**	**2011 Kshs'000**	**2012 Kshs'000**	**2013 Kshs'000**	**2014 Kshs'000**	**Total Kshs'000**
Estimate of ultimate claims cost						
at end of accident year	2,728,387	948,260	2,535,144	6,876,211	10,744,774	23,832,776
one year later	1,551,403	1,060,674	2,120,921	3,366,327	-	8,099,325
two years later	26,791	524,107	1,523,523	-	-	2,074,421
three years later	412,080	821,124	-	-	-	1,233,204
four years later	615,306	-	-	-	-	615,306
Incurred per accident year	4,124,794	2,343,433	4,023,757	4,600,896	10,744,774	25,837,654
Current estimate of cumulative claims	254,706	-	-	-	-	254,706
Less: cumulative payments to date	(3,536,369)	(1,454,402)	(2,623,884)	(4,758,241)	(7,373,606)	(19,746,502)
Total gross claims liability included in the statement of financial position before IBNR	**843,131**	**889,031**	**1,399,873**	**(157,345)**	**3,371,168**	**6,345,858**
Incurred but not reported (IBNR)	-	-	-	-	1,511,558	1,511,558
Total gross claims liability included in the statement of financial position	**843,131**	**889,031**	**1,399,873**	**(157,345)**	**4,882,727**	**7,857,416**

29. INSURANCE CONTRACT LIABILITIES (CONTINUED)

Long-Term insurance contracts

The Company determines its liabilities on long term insurance contracts based on assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. A margin for risk and uncertainty is added to these assumptions. The liabilities are determined on the advice of the consulting actuary and actuarial valuations carried out on an annual basis.

Valuation assumptions

The latest actuarial valuation of the life fund was carried out as at 31 December 2014 by Actuarial Partners Consulting SdnBhd, consulting actuaries. In determining the statutory policy liabilities, the Net Premium Value (NPV) method and the assumptions specified in the Seventh Schedule of the Insurance Regulations, 1986, were used for policies valued by way of discounted cash flows. Other policy liabilities were valued as described below:

i. Under Group Temporary Assurance a reserve equal to the unearned portion of the office premium was held. An additional reserve for Incurred But Not Reported (IBNR) claims was also held.

ii. Under Group Disability Income Insurance (GDII), Group Critical Illness, Group Permanent Disability and Group Temporary Disability a reserve equal to the unearned portion of the office premium was held plus a reserve for IBNR.

iii. Under the riders ADB (Accidental Death Benefit), TPD (Total Permanent Disablement), WOP (Waiver Of Premium)) combined and (ADB, TPD) combined, a reserve of one year's office premium was held previously. As at December 2014, the reserve will be held equal to the unearned portion of the office premium plus Incurred But Not Reported (IBNR) claims reserve.

iv. Under Deposit Administration the reserve was taken equal to amount of the fund at the valuation date, including the 2014 bonus declaration.

v. Under the non-participating universal life policies, the reserve was calculated as equal to fund value at December 2014 plus a half month mortality charge with the charge based on 100% QDSM (Quick and Dirty Solution Model) table which is more conservative than the prescribed basis.

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

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

Sensitivity analysis

The following table presents the sensitivity of the value of long term insurance liabilities to movements in key assumptions used in the estimation of liabilities. For liabilities under insurance contracts with fixed and guaranteed terms, key assumptions are unchanged for the duration of the contract. Changes in assumptions of mortality, lapses, inflation and investment return will not cause a significant change in the amount of the liability.

Sensitivity	Statutory Result			
	2014		2013	
	Kshs '000		Kshs '000	
Published	**32,603,433**		**24,799,923**	
Lapses +5%	32,597,175	0.0%	24,799,923	0%
Mortality				
Annuities: -20% insurance: +20%	32,853,200	0.8%	24,799,923	0%
Mortality				
Annuities: +20% insurance: -20%	32,389,630	-0.7%	24,799,923	0%
Inflation +1%	32,339,205	-0.8%	24,799,923	0%
Investment Return -1%	33,309,194	2.2%	24,799,923	0%
Expenses +10%	32,753,070	0.5%	24,799,923	0%

30. PAYABLE UNDER DEPOSIT ADMINISTRATION CONTRACTS (GROUP)

	2014 Kshs '000	2013 Kshs '000
At start of year	21,026,848	16,485,196
Pension fund deposits received	5,148,705	4,417,371
Surrenders and annuities paid	(2,741,712)	(1,736,688)
Other movements in the fund	3,441,844	1,856,890
Exchange (loss)/gain	(11,335)	4,079
At end of year	**26,864,350**	**21,026,848**

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 2014 and 2013.

31. UNEARNED PREMIUM RESERVE

Group

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

Unearned premium reserve

	2014			2013		
	Gross Kshs'000	Reinsurance Kshs'000	Net Kshs'000	Gross Kshs'000	Reinsurance Kshs'000	Net Kshs'000
At start of year	6,355,840	2,721,648	3,634,192	5,338,620	2,087,369	3,251,251
Increase in the period (net)	253,006	636,429	(383,423)	1,017,220	634,279	382,941
At end of year	**6,608,846**	**3,358,077**	**3,250,769**	**6,355,840**	**2,721,648**	**3,634,192**

32. TRADE AND OTHER PAYABLES

	Group		Company	
	2014 Kshs '000	2013 Kshs '000	2014 Kshs '000	2013 Kshs '000
Payroll liabilities	7,130	5,123	-	-
Value added tax payable	130,570	5,338	-	-
Withholding taxes payable	19,423	15,468	-	-
Other liabilites	979,927	1,128,946	2,878	3,027
Leave pay accrual	49,364	43,584	9,920	9,025
Accrued expenses	414,478	327,208	1,836	5,212
Total	**1,600,892**	**1,525,667**	**14,634**	**17,264**

33. BORROWINGS

The bank borrowing relates to a loan of USD 15 million advanced by CFC Stanbic Bank Limited to The Jubilee Investments Company Limited (Uganda) to finance the purchase of investment properties. The loan attracts interest at 3.75% per annum and is secured by corporate guarantee from the Company. The principal loan will be repaid via one bullet payment when due for payment.

34. CONTINGENT LIABILITIES, COMMITMENTS AND OFF BALANCE SHEET ITEMS

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

Treasury bonds of Kshs 2,900 million (2013: Kshs 2,800 million) are held under lien with the Central Bank of Kenya as security deposit in favor of the Commissioner of Insurance as required under the provisions of section 32 of Kenya Insurance Act, Kshs 28.26 million (2013: Kshs 17.86 million) are held under lien with the Bank of Uganda as security deposit in favor of the Commissioner of Insurance as required under the provisions of section 7 (i) of Uganda Insurance Act and Kshs 78.55 million (2013: Kshs 59.08 million) are held under lien with the Bank of Tanzania as security deposit in favor of the Commissioner of Insurance as required under the provisions of Tanzania Insurance Act.

The Group does not have any material outstanding commitments. The Group has a Kshs 30 million (2013: Kshs 30 million) overdraft guarantee and letters of guarantee amounting to Kshs 200 million (2013: Kshs 200 million) with Diamond Trust Bank Kenya Limited.

35. RELATED PARTY TRANSACTIONS

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

Transactions with related parties (Group)	**2014**	**2013**
Gross premium:	**Kshs '000**	**Kshs '000**
Diamond Trust Bank Limited	237,437	142,476
Industrial Promotion Services (Kenya) Limited	163,392	66,449
TPS Eastern Africa Limited	61,439	10,709
Property Development and Management Limited	14,963	15,305
Nation Media Group	145,963	107,846
Total	**623,194**	**342,785**
Net claims incurred:		
Diamond Trust Bank Limited	323,276	74,056
Industrial Promotion Services (Kenya) Limited	135,611	3,604
TPS Eastern Africa Limited	53,733	2,913
Property Development and Management Limited	5,384	69,214
Nation Media Group	97,890	9,509
Total	**615,894**	**159,296**
Services received from:		
Industrial Promotion Services (Kenya) Limited	83	-
TPS Eastern Africa Limited	2,210	568
Nation Media Group	13,834	1,004
Total	**16,127**	**1,572**

35. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with related parties (Group) (Continued)	2014	2013
	Kshs '000	Kshs '000
Outstanding premium:		
Diamond Trust Bank Limited	82,983	4,536
Industrial Promotion Services (Kenya) Limited	5,089	3,614
TPS Eastern Africa Limited	118	-
Property Development and Management Limited	352	8
Nation Media Group	7,180	5,736
Total	**95,722**	**13,894**
Outstanding claims:		
Diamond Trust Bank Limited	14,619	-
Industrial Promotion Services (Kenya) Limited	29,784	-
TPS Eastern Africa Limited	8,112	5,834
Property Development and Management Limited	4,694	-
Nation Media Group	57,128	-
Total	**114,337**	**5,834**
Deposits with financial institutions		
Diamond Trust Bank Limited	3,275,046	3,658,199
Total	**3,275,046**	**3,658,199**
Interest received from financial institutions		
Diamond Trust Bank Limited	407,889	231,869
Total	**407,889**	**231,869**

Company

Due from related parties:		
Jubilee Center Burundi	5,234	5,232
Jubilee Insurance (Mauritius) Limited	72,439	71,015
Jubilee Investment Company Limited (Tanzania)	641	641
Jubilee Insurance Company of Burundi Limited	24,213	24,213
Jubilee Investment Company Limited (Burundi)	50,840	50,840
Total	**153,367**	**151,941**
Due to related parties		
Jubilee Holdings Limited		
Jubilee Insurance Company of Kenya Limited	312,160	435,981
Jubilee Insurance Company of Tanzania Limited	14,990	13,513
Jubilee Insurance Company of Uganda Limited	4,291	2,756
Jubilee Investment Company Limited (Uganda)	207,416	217,408
Total	**538,857**	**669,658**
Net owing	**(385,490)**	**(517,717)**

36. MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

Group

(i) Short-Term insurance business

	2014			2013		
	Gross Kshs '000	Reinsurance Kshs'000	Net Kshs '000	Gross Kshs '000	Reinsurance Kshs'000	Net Kshs '000
Notified claims	5,929,199	3,435,044	2,494,155	4,129,340	2,001,204	2,128,136
Incurred but not reported	1,467,598	757,251	710,347	1,067,632	501,616	566,016
Total at start of year	**7,396,797**	**4,192,295**	**3,204,502**	**5,196,972**	**2,502,820**	**2,694,152**
Cash paid for claims settled during the year	(6,517,961)	(2,851,108)	(3,666,853)	(11,673,349)	(4,643,349)	(7,030,000)
Increase in liabilities:						
Arising from current year claims	3,298,938	328,906	2,970,032	9,067,771	4,246,667	4,821,104
Arising from prior year claims	3,679,642	1,805,770	1,873,872	4,805,403	2,086,157	2,719,246
Total at end of year	**7,857,416**	**3,475,863**	**4,381,553**	**7,396,797**	**4,192,295**	**3,204,502**
Notified claims	6,345,858	2,983,046	3,362,812	5,929,199	3,435,044	2,494,155
Incurred but not reported	1,511,558	492,817	1,018,741	1,467,598	757,251	710,347
Total at end of year	**7,857,416**	**3,475,863**	**4,381,553**	**7,396,797**	**4,192,295**	**3,204,502**

(ii) Long-Term insurance business

	2014			2013		
	Gross Kshs '000	Reinsurance Kshs'000	Net Kshs '000	Gross Kshs '000	Reinsurance Kshs'000	Net Kshs '000
Notified claims	535,845	109,762	426,083	455,378	164,488	290,890
Total at start of year	**535,845**	**109,762**	**426,083**	**455,378**	**164,488**	**290,890**
Cash paid for claims settled during the year	(945,882)	(194,582)	(751,300)	(637,467)	(200,190)	(437,277)
Increase in liabilities:						
Arising from current year claims	39,087	(20,407)	59,494	16,121	(48,600)	64,721
Arising from prior year claims	713,524	203,954	509,570	701,813	194,064	507,749
Total at end of year	**342,574**	**98,727**	**243,847**	**535,845**	**109,762**	**426,083**
Notified claims	342,574	98,727	243,847	535,845	109,762	426,083
Actuarial value of policy holders benefits	11,444,663	-	11,444,663	7,180,115	-	7,180,115
Total at end of year	**11,787,237**	**98,727**	**11,688,510**	**7,715,960**	**109,762**	**7,606,198**
Total at end of year Short-Term + Long-Term	**19,644,653**	**3,574,590**	**16,070,063**	**15,112,757**	**4,302,057**	**10,810,700**

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

37.1 BASIS OF PREPARATION

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

For Kenyan Companies Act reporting purposes in these financial statements, the balance sheet is represented by the statement of financial position and the profit and loss account is presented in the statement of profit or loss.

Future amendments early adopted in the 2014 annual financial statements

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to the financial liabilities. The International Accounting Standards Board (IASB) currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and new requirements to address the impairment of financial assets and hedge accounting. IFRS 9 (2014) are effective for annual periods beginning on or after 1 January 2018 with early adoption permitted.

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

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

IFRS 9 Financial instruments (2009)

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

IFRS 9 (2009) is effective for annual periods beginning on or after 1 January 2015 with early adoption permitted.

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

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

The key features of the Standard are:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification is based on contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealized and realized fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Only financial assets that are classified as measured at amortised cost are tested for impairment. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

The Group has not elected to designate any debt instruments meeting the amortised cost criteria as at fair value through profit or loss (FVTPL).

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

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

37.1. BASIS OF PREPARATION (CONTINUED)

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

IFRS 9 Financial instruments (2009) (Continued)

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

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

The reclassification of financial assets on initial application of IFRS 9 changed either the measurement basis and/or the policy for

the recognition of gains or losses for the financial assets in the short term business of the Group:

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

IFRS 14 Regulatory Deferral Accounts

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

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

The adoption of this standard will not affect the amounts and disclosures of the Group financial statements.

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

The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interest in the joint operation will not be remeasured. As a consequence of these amendments, the Group will amend its accounting policy with effect from 1 July 2016 for acquisitions of interests in a joint operation.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.

The Group is still assessing the impact of this amendment to the amounts and disclosures of the Group's transactions with associates or joint ventures.

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

The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The Group currently has several intangible assets and plants that are amortised or depreciated using a revenue-based method. The Group cannot overcome the rebuttable presumption above for its intangible assets, and consequently will have to change the amortisation and depreciation method for these items. The Group has assessed that the straight-line method would be the most appropriate method and will not early adopt these amendments for its year ending 31 December 2015.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)

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

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

37.1. BASIS OF PREPARATION (CONTINUED)

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

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41) (Continued)

The amendment will not have a significant impact on the Group's financial statements as the Group does not have bearer plants.

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

The amendments allow an entity to apply the equity method in its separate financial statements to account for its investments in subsidiaries, associates and joint ventures.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.

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

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 amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.

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

Disclosure Initiative (Amendments to IAS 1)

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

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

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

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

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

The amendment to IAS 28 Investments in Associates and Joint Ventures modifies the conditions where an entity need not apply the equity method to its investments in associates or joint ventures to align these to the amended IFRS 10 conditions for not presenting consolidated financial statements. The amendments introduce relief when applying the equity method which permits a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair value through profit or loss measurement applied by the associate or joint venture to its subsidiaries.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016, with early application permitted.

The adoption of these changes will not affect the amounts and disclosures of the Group's interests in other entities.

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 model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

37.1. BASIS OF PREPARATION (CONTINUED)

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

IFRS 15 Revenue from contracts with customers (Continued)

This new standard will most likely have a significant impact on the Group, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The Group is currently in the process of performing a more detailed assessment of the impact of this standard on the Group and will provide more information in the year ending 31 December 2015 financial statements. The standard is effective for annual periods beginning on or after 1 January 2017, with early adoption permitted under IFRS.

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

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19).

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

The adoption of these changes will not affect the amounts and disclosures of the Group's interests in other entities.

Standards adapted in the 2014 annual financial statements

A number of new standards, amendments to standards and interpretations are effective for the year ended 31 December 2014;

Investment entities (Amendments to IFRS 10, IFRS 12 and IAS 27. Amends IFRS 10 Consolidated Financial Statements, IFRS12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements.

The amendments provides 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries, requires additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries, and requires an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated). This became effective for years ending 31 December 2014.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32).

The amendment clarifies the offsetting criteria in IAS 32 by explaining when an entity currently has a legal enforceable right to offset and when gross settlement is equivalent to net settlement. This became effective for years ending 31 December 2014.

Recoverable amount disclosures for Non-Financial Assets (Amendments to IAS 36).

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

IFRIC 21 Levies.

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

Novation of Derivatives and continuation of Hedge Accounting (Amendments to IAS 39).

This became effective for year ending 31 December 2014.

The Directors have assessed the relevance of these amendments and interpretation with respect to the Group's operations and have concluded that they do not have a significant impact to the Group.

37.2. CONSOLIDATION

a) Subsidiaries

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

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

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

37.2. CONSOLIDATION (CONTINUED)

a) Subsidiaries (Continued)

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.

(iii) Consolidation of group entities

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

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

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

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

37.2. CONSOLIDATION (CONTINUED)

(iii) Consolidation of group entities (continued)

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

37.3. SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

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

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

37.4 INSURANCE CONTRACTS

a) Classification

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

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

37.4 INSURANCE CONTRACTS (CONTINUED)

a) Classification (continued)

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. See accounting policy for these contracts under 37.5. Insurance contracts and investment contracts are classified into two main categories, depending on the duration of risk and as per the provisions of the Insurance Act.

(i) Long-term insurance business

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

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

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

(ii) General insurance business

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

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

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

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

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

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

Marine insurance business means the business of affecting and carrying out contracts of insurance against loss of consignment of goods during transit.

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

b) Recognition and measurement

(i) Premium income

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

For general insurance business, Premium income is recognized on assumption of risks, and includes estimates of premiums due but not yet received, less an allowance for cancellations, and less unearned premium. Unearned premiums represent the proportion of the premiums written in periods up to the accounting date that relates to the unexpired terms of policies in force at the reporting date. Whilst all other subsidiaries computed the reserve based on the 24ths method, The Jubilee Insurance Company of Kenya Limited revised the method of computing the unearned premiums to the 1/365th method with effect from 1 January 2014. The revisions were accounted for prospectively as a change in accounting estimates and as a result, the unearned premium reserve of the Group for the current financial year decreased by Kshs 166.7 million.

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

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

37.4 INSURANCE CONTRACTS (CONTINUED)

b) Recognition and measurement (Continued)

(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.

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

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

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

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

(iv) Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

As set out in Note 37.4(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.

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

37.4 INSURANCE CONTRACTS (CONTINUED)

b) Recognition and measurement (Continued)

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

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.

37.5 INVESTMENT CONTRACTS

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

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

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

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

37.6 REVENUE RECOGNITION

(i) Insurance premium revenue

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

(ii) Non interest income from financial investments

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

(iii) Interest income and expenses

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

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

37.6 REVENUE RECOGNITION (CONTINUED)

(vi) Commission earned

The revenue recognition policy on commission is disclosed in note 37.4 (b) (iii).

37.7 PROPERTY AND EQUIPMENT

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

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

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

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

These rates have been applied consistently over the years.

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

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

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

37.8 INVESTMENT PROPERTY

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

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

37.9 INTANGIBLE ASSETS

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each country of operation by each reporting segment.

(ii) Computer software

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

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

37.10 FINANCIAL ASSETS AND LIABILITIES

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

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

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

(i) Classification of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

Dividends on these investments in equity instruments are recognized in 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.

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

37.10 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(iv) Financial assets at FVTPL

Debt instrument financial assets that do not meet the amortized cost criteria or that meet the criteria but the entity has chosen to designate as at FVTPL at initial recognition, are measured at FVTPL. The Group has not designated a debt instrument financial asset as at FVTPL.
Subsequent to initial recognition, the Group is required to reclassify debt instruments from FVTPL to amortized cost if the objective of the business model changes so that the amortized cost criteria starts to be met and the instrument's contractual cash flows meet the amortized cost criteria. Reclassification of debt instruments designated as at FVTPL at initial recognition is not permitted.
Investments in equity instruments are classified as at FVTPL, unless the Group designates an investment that is not held for trading as at FVTOCI at initial recognition.

(v) De-recognition of financial assets

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

(vi) Financial liabilities

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

(vii) Financial liabilities at FVTPL

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

(viii) Other financial liabilities

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

(ix) De-recognition

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

(x) Impairment of financial assets

a) Financial assets carried at amortized cost

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

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including:
    - o adverse changes in the payment status of issuers or debtors in the Group; or
    - o National or local economic conditions that correlate with defaults on the assets in the Group.

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

37.10 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

a) Financial assets carried at amortized cost (Continued)

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

37.11 HEDGE ACCOUNTING

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

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

Net investment hedge

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

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

37.12 ACCOUNTING FOR LEASES

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

37.13 CASH AND CASH EQUIVALENTS

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

37.14 EMPLOYEE BENEFITS

(i) Short-term benefits

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

(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.

(ii) Other entitlements

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

37.15 INCOME TAX EXPENSE

Income tax expense is the aggregate of the charge to 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.

37.16 DIVIDENDS

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

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

37.17 SHARE CAPITAL

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

37.18 CONCESSION ARRANGEMENTS

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

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

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

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

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

37.19 COMPARATIVES

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

38. PRIOR YEAR ADJUSTMENT

During the year, there was a reclassification to the statutory reserve of the liabilities previously carried in the insurance contact liabilities and payable under deposit administration contracts.

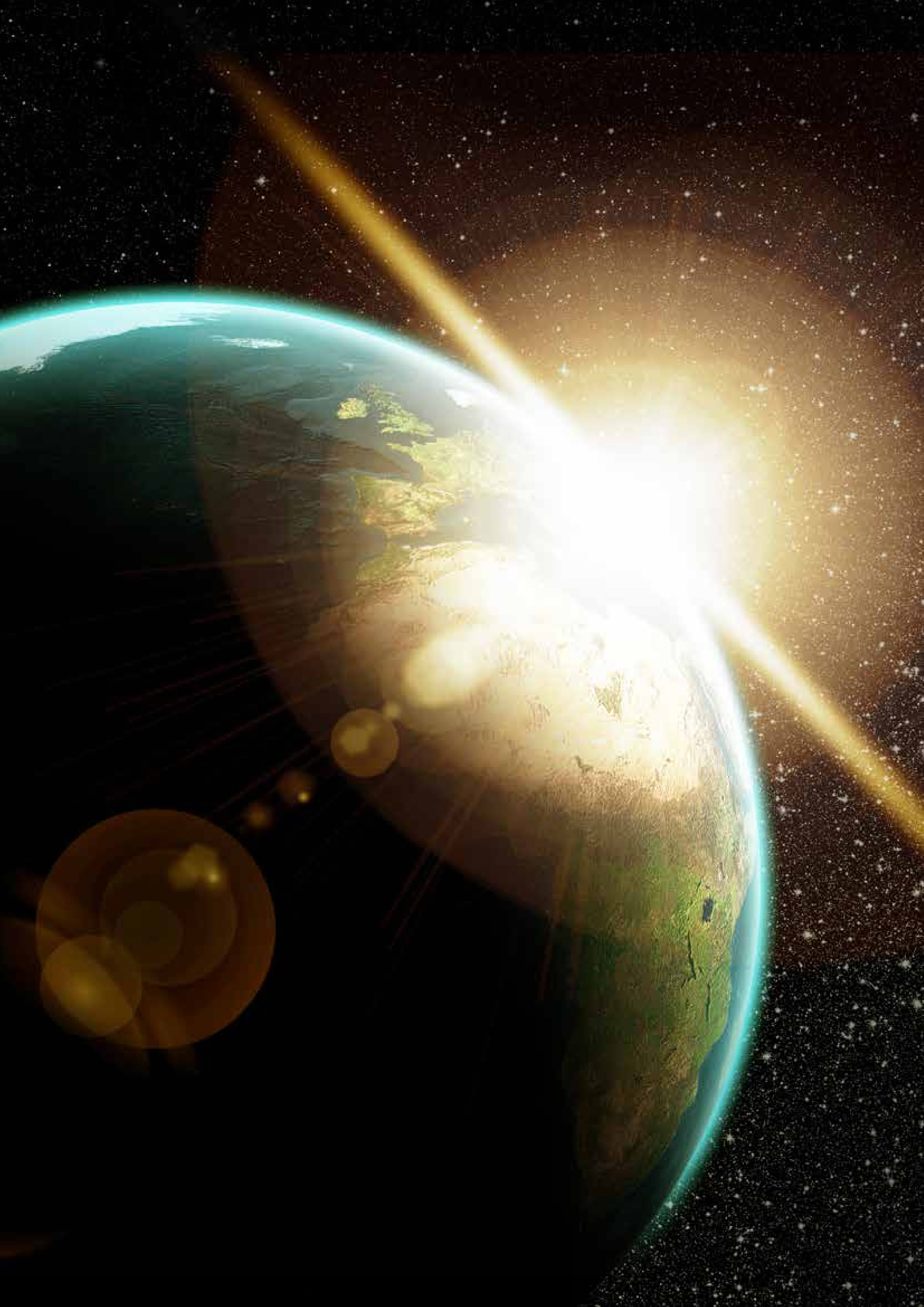
The table below shows the reconciliation of the reclassification.

	As previously reported	Reclassification adjustment - 2012	Reclassification adjustment - 2013	As restated
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
2012				
LIABILITIES				
Insurance contract liabilities	12,187,603	(636,193)	-	11,551,410
Payable under deposit administration contracts	16,485,196	(577,201)	-	15,907,995
Total	28,672,799	(1,213,394)	-	27,459,405
EQUITY				
Statutory reserve	-	1,213,394	-	1,213,394
2013				
LIABILITIES				
Insurance contract liabilities	15,274,972	(636,193)	473,978	15,112,757
Payable under deposit administration contracts	22,605,806	(577,201)	(1,001,757)	21,026,848
Total	37,880,778	(1,213,394)	(527,779)	36,139,605
EQUITY				
Statutory reserve	-	1,213,394	527,779	1,741,173

GROUP REVIEW—TEN YEARS

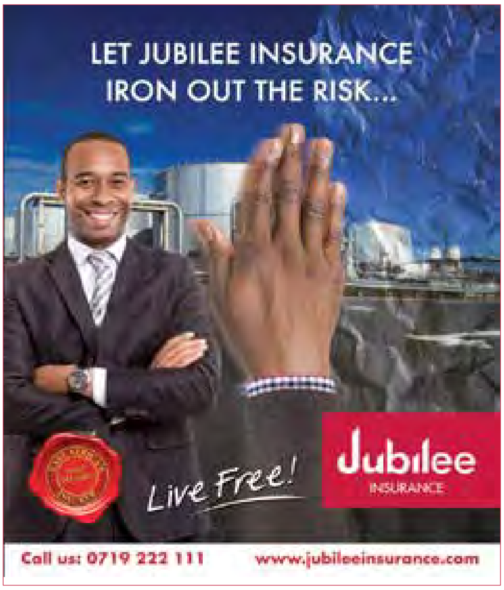
Group Review 10 years	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
					Kshs million					
Shareholders' Funds	15,439	10,690	8,020	6,153	5,114	3,389	2,871	3,606	3,393	2,370
Share Capital	299	299	299	272	248	225	225	225	180	180
Long-Term Business Funds	40,744	30,484	23,476	18,802	14,637	11,495	11,730	9,333	6,504	5,115
Total Assets	74,506	61,159	47,258	38,040	30,691	23,736	20,203	17,942	15,356	11,591
Profit Before Tax	3,949	3,151	2,693	2,144	2,053	1,116	901	810	665	471
Profit Attributable to Shareholders	2,880	2,255	2,115	1,802	1,756	825	636	617	528	348
Profit Attributable to Non - Controlling interest	224	248	169	108	83	89	77	46	32	47
Dividends to Shareholders	509	419	419	299	272	203	191	191	153	144
Dividend Cover Ratio	5.66	5.38	5.05	6.02	6.45	4.07	3.33	3.23	3.45	2.42
Bonus Issue	1:10	-	-	1:10	1:10	1:10	-	1:04	-	-
*Earnings Per Share {(Shs) (par value Shs 5)	48.08	37.64	35.32	30.09	29.31	13.77	10.62	10.30	8.82	5.81

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



"I AM JUBILEE!" say these smart and classy ladies of Jubilee Insurance:
Front from l-r Emily Kamunde-Osoro (Group Human Resources Manager), Nasim Devji (Director, Jubilee Insurance Company of Burundi), Florah Mutahi (Director, Jubilee Insurance Company of Kenya) seated left: Catherine Karori (General Manager, Medical Business) seated right: Margaret Kipchumba (Group Company Secretary, Head of Legal Services) Back l-r: Mary Mwangi (Manager, Process and Quality Assurance) Judy Oloo (Finance Manager, Long Term Business) Rebecca Opati-Juma (Claims Manager) Shamira Sorathia (Senior Administration Officer) Evelyne Munge (Finance Manager, Short Term Business) Jane Mwangi (Director, Jubilee Holdings Limited)


Jubilee
HOLDINGS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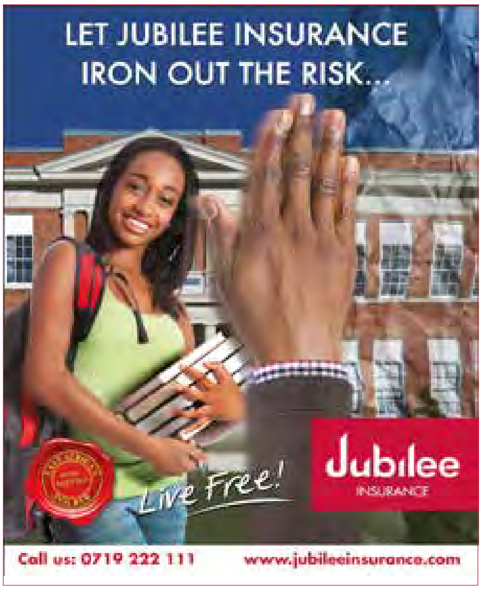
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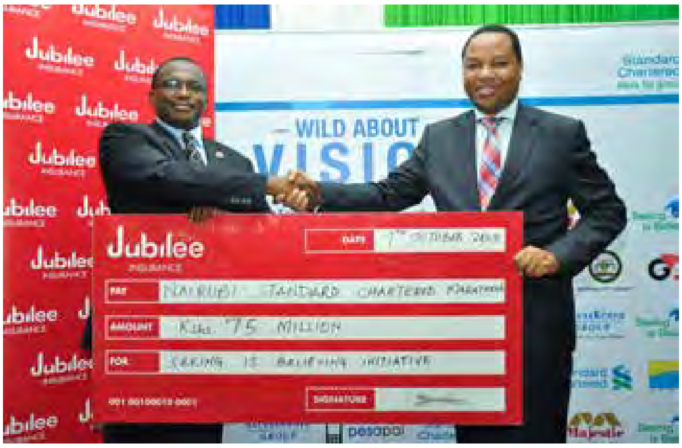
(L-R) JISA Chief judge Alfred Mutua, Benson Osinya, JICK CEO Patrick Tumbo and KWS Deputy Director Benjamin Kavu present the JISA shield of honor to Gift Osinya.

Jubilee Insurance Corporate Communications team donate clothing, toys, books and food stuff contributed by Jubilee staff to children at Kwetu Home of Peace. Kwetu Home of Peace is a rehabilitation center for street boys where they are given an opportunity for self-development through technical training and schooling as they await to be re-united with their families.

Jubilee Insurance members of staff join volunteers at Shafco primary school in Mathare North slum where they helped in construction of gabions, cleaning and painting.



STANCHART MARATHON INSURANCE: (L) Jubilee Insurance Kenya CFO Johannes Kitaka presents a Kshs 7.5 million cheque to the Standard Chartered Nairobi Marathon Chairman Peter Gitau. Jubilee Insurance has been the official Marathon Insurer for the eighth year running.

(L-R) Jubilee Insurance CEO Patrick Tumbo presents the JISA Shield to Edward Munene, his wife Mary Wanjiku and their son during a press conference in Nairobi. Munene was awarded for his compassion for humanity, dedication to the community and self-denial in health service of the Turkana people.

Jubilee Insurance General Manager Medical Business presents a dummy cheque worth Ksh 250,000 to the CEO of Gertrude's Hospital Gordon Otieno. The sponsorship seeks to fund reconstructive surgery for the less privileged children.


General Insurer
of the Year
2nd Position
JUBILEE INSURANCE CO.


Appreciation Award
2014
Winner
CLAIMS HANDLING & SETTLEMENT
March 2014

2014 AWARDS

2014 Kenya Insurance Awards by Think Business
August, 2014

Category	Position
Socially Responsible Corporate Award	Winner
Claim Settlement Life Award	Winner
Training Award	Winner
Fraud Detection and Protection Award	Winner
Marketing Initiative Award	1st R - Up
Medical Underwriter Award	1st R - Up
General Insurer of the Year Award	1st R - Up
Customer Service Award	2nd R - Up
Major Loss Award	2nd R - Up

2014 Company of the Year Awards by Kenya Institute of Management
November, 2014

Category	Position
Human Resource Management Award	Winner
Financial Management Award	Winner
The KIRIT DAVE Award: 2014 Manager of the Year	Emily Kamunde-Osoro - Jubilee Insurance HR Manager

2014 CIO 100
November, 2014

Category	Position
Financial Services Award	Winner

2014 Kenya Investment Awards by Think Business
November, 2014

Category	Position
Individual Pension Scheme of the Year Award	Winner
Pension Administrator of the Year Award	1st Runner Up

2014 ICT Value Awards by The Information Communication Technology Association of Kenya (ICTAK)
December, 2014

Category	Position
Best use of ICT in Insurance Award	Winner
Best IT Manager of the Year Award	James Muritu - Group Head of IT, Jubilee

2014 Uganda Insurance Brokers Association

Category	Position
Claims Handling and Settling Award	Winner

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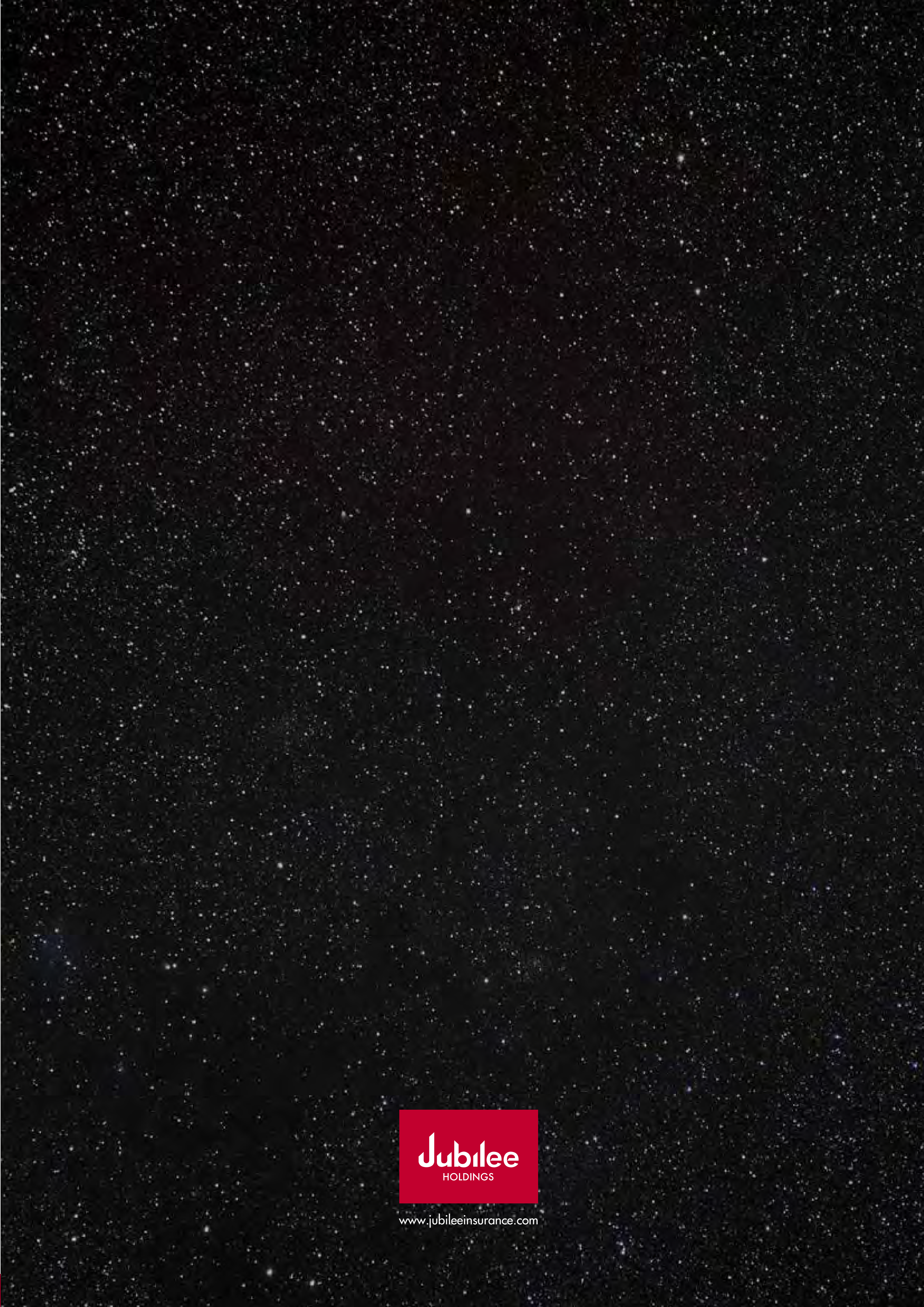

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Enabling people to overcome uncertainty.

OUR MISSION

To provide solutions to protect the future of our customers.

OUR VALUES

Integrity, passion, excellence and teamwork.

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