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GROUP INFORMATION

CAPITAL AND RESERVES	Shs '000
Authorised Capital	200,000
Issued Capital	180,000
Paid-up Capital	180,000
Reserves	1,849,205

REGISTERED OFFICE

Jubilee Insurance House
Wabera Street
P O Box 30376
00100 - GPO
Nairobi, Kenya
Telephone: 3208 1000
Telefax: 3208 1150
E-mail: jic@jubileekenya.com
Website: www.jubileeinsurance.com

SUBSIDIARIES

The Jubilee Investments Company Limited (75%)
Jubilee Financial Services Limited (100%)
Jubilee Insurance (Mauritius) Ltd (53.3%)
The Jubilee Insurance Company of Uganda Limited (56.25%)
The Jubilee Insurance Company of Tanzania Limited (51%)
Thillai Software Private Limited (100%)

ASSOCIATES

Property Development and Management Limited (34.76%)
IPS Power Investment Limited (27%)
TPS Holdings Limited (21.52%)
East Africa Reinsurance Company Limited (25.83%)

BRANCHES

Mombasa:
Jubilee Insurance Building
Moi Avenue
P O Box 90220 - 80100
Mombasa, Kenya
Telephone: 316745, 316746 & 314019
E-mail: mombasa@jubileekenya.com

Kisumu:
Jubilee Insurance House
Opposite Clock Tower
Oginga Odinga Road
P O Box 378 - 40100
Kisumu, Kenya
Telephone: 42235 & 42250
E-mail: kisumu@jubileekenya.com

ACTUARY

John Graham
FIA, FASSA

INDEPENDENT AUDITORS

PricewaterhouseCoopers

PRINCIPAL BANKERS

Diamond Trust Bank Kenya Limited
Standard Chartered Bank Kenya Limited
Citibank, N.A.
Barclays Bank PLC, Mauritius

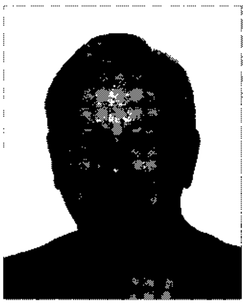
2007 | 0481


Uganda

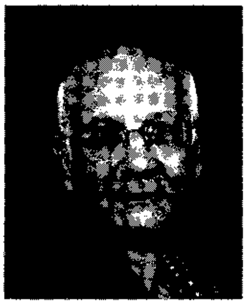
BOARD OF DIRECTORS

Augustine J Hatch *
CHAIRMAN
■ ▲ ▲

Zulfikar K Mohamed **
MANAGING DIRECTOR & C E O
■ ● ●

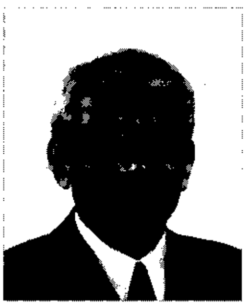


Iain D Cheyne ***
(RESIGNED ON 25/11/2003)

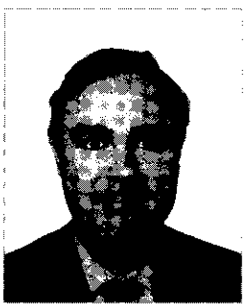


Amin M Datoo
TECHNICAL DIRECTOR
●

John D Harris ***
(APPOINTED ON 25/11/2003)
▲



Sultan K Khimji
■ ■ ●



Frederic A Lucien ****

Joseph M Mugwe
■ ■ ●

BOARD OF DIRECTORS

Tom D Owuor

■▲▲

Salim A Talib

●●▲

Margaret M Kipchumba
COMPANY SECRETARY

Key

■ Audit and Compliance Committee

■ Finance Committee

● IT Steering Committee

▲ Nominating & Senior Management Remuneration Committee

● Corporate Restructuring Committee

▲ Strategy Review Committee

*** Irish ** Canadian ***British ****French**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innovative
competitive
effective
reliable

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the Sixty-Sixth Annual General Meeting of the Shareholders will be held at the Hilton Hotel, Mama Ngina Street, Nairobi, on Thursday 10th June, 2004 at 10.30 a.m. to transact the following:

ORDINARY BUSINESS

1. To consider and, if thought fit, to adopt the Accounts for the year ended 31st December, 2003, the Report of the Directors and the Report of the Independent Auditors thereon.

2. To confirm the payment of the interim dividend of 10% made on 17th October, 2003 and approve the payment of a final dividend of 35% on the issued and paid-up capital of the Company on or about 30th June, 2004 to the Shareholders registered as at 11th June, 2004.

3. To elect the following Directors who retire by rotation and being eligible, offer themselves for re-election:

   Mr Tom D Owuor
   Mr Salim A Talib

   Mr John D Harris retires in accordance with Article 90 of the Company's Articles of Association, and being eligible, offers himself for re-election.

4. To fix the Directors' remuneration.

5. To authorise the Directors to fix the Independent Auditors' remuneration.

By order of the Board
Margaret Muhuni-Kipchumba
Company Secretary
Nairobi, Kenya
23rd April, 2004

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Dear Shareholders,

I am pleased to report that your Company achieved a very impressive performance in 2003, recording the highest ever profit in its history. It gives me great pleasure, therefore, to present the annual report and accounts for the year ended 31st December, 2003.

ECONOMY

2003 was a momentous year in Kenya's history following the general election, which saw the peaceful transition of power to a new government with huge expectations. Though successful in the areas of currency exchange values, inflation and interest rates, the government's efforts in revamping the economy fell below expectation due to poor performance in the manufacturing, agriculture and tourism sectors. Declining world coffee and tea prices impacted the agricultural sector adversely whilst the terrorism threat coupled with adverse travel advisories affected the tourism industry. Security conditions, regretfully, remain unstable.

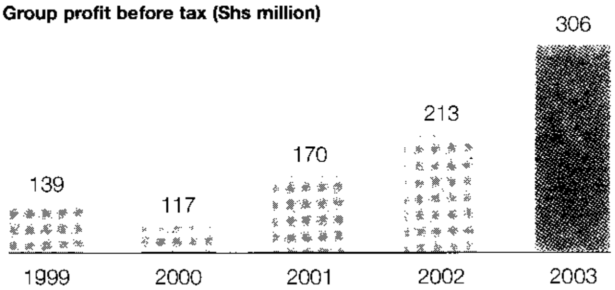
Reinsurance costs have continued to rise and changes in the terms and conditions at which international reinsurers are prepared to provide reinsurance, in the aftermath of 11th September, 2001, are making it difficult to underwrite some classes of business profitably, particularly property insurance business. The Jubilee Group, despite the record profits, has been adversely affected by these developments causing us to refocus our business model and plans. Declining interest rates impacted the investment income of many players in the market in Kenya; however, the rising prices on the Nairobi Stock Exchange have improved the investment returns of investors to counter-balance the fall in investment income.

FINANCIAL PERFORMANCE

Despite some of the negative aspects referred to above, 2003 was a remarkable year for the Group, with Group profit before tax surpassing the Shs 300 million mark for the first time to stand at Shs 305.7 million (2002: Shs 213.4 million). Your Company's initiative in expanding its operations to other East African countries, a move more and more imitated by our competitors, resulted in recording significant profits from Group companies in Uganda and Tanzania. In addition, your Company took advantage of the stock market prices and realized significant gains.

In line with the increase in profits, I am happy to inform you that your Board of Directors has recommended an increased final dividend of 35% (Shs 1.75 per share) from 25% (Shs 1.25 per share) final dividend paid for 2002. An interim dividend of 10% (Shs 0.50 per share) was paid out on 17th October, 2003 bringing the total dividend for 2003 to 45% (Shs 2.25 per share) against 35% (Shs 1.75 per share) for 2002.

Group profit before tax (Shs million)



The Group adopted the changes in the International Financial Reporting Standards relating to leasehold land and restated the value of investment properties by taking the fair value of leasehold land as part of investment properties. This change has increased the Shareholders' funds by Shs 226.8 million and the Long - Term business funds by Shs 73.3 million.

Total Shareholders' funds surpassed the Shs 2 billion mark at year-end 2003 mainly due to increase in the value of investment properties and the unrealized gains from quoted shares in Kenya.

GENERAL INSURANCE
The gross premium income of the Group grew by 12.9% in 2003 to reach Shs 1,749.4 million from Shs 1,549.5 million in 2002. All Group companies recorded growth in gross premium volumes.

Fire business continues to make losses due to substantial reinsurance costs, *inter alia*, purchased for protection of catastrophic events; notwithstanding the increased costs, your Board deems it prudent to buy such protection to better safeguard the capital and future of the Group. Motor business of regional companies remained profitable. Increased frequency of motor accidents and crime-related losses adversely affected Kenyan underwriting results. An improvement in the country's security situation would benefit the insurance industry, our clients and all citizens and lead to reduced insurance costs.

LIFE INSURANCE
At year-end 2003, another milestone was achieved when your Company's Long-Term business funds, for the first time, exceeded Shs 3 billion.

The gross premium income of Long-Term insurance business grew by 22% in 2003 to reach Shs 686.5 million from Shs 562.7 million in 2002. The profit transferred from Long-Term business to consolidated profit and loss account increased to Shs 32.6 million in 2003 from Shs18 million in 2002, an increase of 81%.

Your Company continues to maintain the leading position in the management of Retirement Benefits Fund. The declared net return of 10.25% is, yet again, one of the highest among the leading companies in the insurance industry.

GROUP COMPANIES
The results of both The Jubilee Insurance Company of Uganda Limited and The Jubilee Insurance Company of Tanzania Limited are consolidated in 2003 as they became subsidiaries on 31st December, 2002. Both companies continued to perform well in 2003. The results of Jubilee Insurance (Mauritius) Ltd were adversely affected by increased claims and delay in collection of premium necessitating higher provisions for bad debts. In the light of the results of Jubilee Insurance (Mauritius) Ltd, the tough approach to reinsurance being taken by reinsurers in respect of the territory, primarily arising from cyclone exposure and the legislative changes proposed in the new Insurance Bill, which we deem to be unfavourable to the interests of Jubilee Group in its' current format, the Board of Directors is evaluating a number of alternative options for our Mauritian operations.

BOARD OF DIRECTORS
The Directors who served during the year are given on page 10 under Report of the Directors. Mr Iain D Cheyne who was appointed to the Board in 2000, resigned on 25th November, 2003. I, on behalf of the Board, would like to thank him for his invaluable contribution during his tenure as a Director and to place on record our appreciation of the time, interest and effort he devoted to the Jubilee Group. In his place, the Board appointed Mr John D Harris who has taken over as head of financial services department in Aga Khan Fund for Economic Development (AKFED). The experience of Mr Harris in the financial markets in Asia, the Middle East, Europe and Africa will be of inestimable value to the Company.

We were all greatly saddened by the sudden and untimely death on 18th June, 2003 of our former Director and colleague, Mr Abdul I Paroo, so shortly after his retirement as Finance Director of the Company. Abdul gave unstinting and invaluable service to all the Jubilee Group companies and will be sorely missed. To Pervez, his wife, and his family, we offer once again our heartfelt sympathy on their great loss.

CORPORATE RESTRUCTURING
The Board and Management, after much planning and deliberation, decided to commence a restructuring of your Company to better prepare and equip it for the future and which would be in the best interest of Shareholders and customers alike. This, when approved by regulators and Shareholders, would involve transferring the existing insurance business of The Jubilee Insurance Company Limited to a new wholly owned subsidiary insurance company and, effectively, turning the existing Company, into a non-insurance holding company.

The Company is also in the process of implementing new IT system. The General insurance system is already installed in Uganda and it is scheduled to be fully operational before the year-end 2004 in all Group Companies. The Life insurance system, which is currently being introduced gradually, is due to be completed by the end of 2005.

FUTURE OUTLOOK
Your Board is confident that the positive steps taken by the new government in Kenya will result in faster growth of the economy to the benefit of all. The stock market continues to perform well on the hope of this better outlook. I am very optimistic and confident about the growth potential in both General and Life business in Kenya as well as in the regional companies.

APPRECIATION
To brokers, agents and clients I say *asante sana*. It is because of your continued support and the untiring contribution of our management and staff that we have achieved the great milestones in the history of Jubilee Group to which I referred above. On my own behalf and on behalf of the Board, I wish to commend all staff members, in Kenya and throughout the subsidiary companies, for their invaluable service and commitment. Last but not least, my sincere appreciation goes to my colleagues on the Board, whose guidance and contribution has been instrumental in steering the Company to such great heights. Of one thing we can be certain, we have the drive, initiative and resources to continue to make Jubilee a great organization with a fantastic future. Let's ensure we jointly do so.

Augustine J Hatch
Chairman
Nairobi, Kenya - 23rd April, 2004

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31st December, 2003 which disclose the state of affairs of the Company and the Group.

COUNTRY OF INCORPORATION

The Company is incorporated in the Republic of Kenya under the Companies Act and is domiciled in Kenya.

PRINCIPAL ACTIVITIES

The Company transacts all classes of insurance business.

RESULTS

The Group returned record profits during the year. The following is the summary of results for the year 2003:

	Shs '000
Group profit before tax	305,664
Tax	62,939
Group profit after tax	242,725
Minority interest	(29,964)
Profit attributable to Shareholders	212,761

The Jubilee Insurance Company of Uganda Limited and The Jubilee Insurance Company of Tanzania Limited became subsidiaries effective 31st December, 2002 and therefore, the results of both companies were consolidated in 2003 financial statements.

DIVIDEND

An interim dividend of Shs 0.50 per share amounting to Shs 18 million (2002: Shs 18 million) was paid on 17th October, 2003. The Directors recommend a final dividend of Shs 1.75 per share amounting to Shs 63 million (2002: Shs 1.25 per share amounting to Shs 45 million) for approval by the Shareholders. The total dividend for the year represents 45% of the issued share capital as at 31st December, 2003 (2002: 35%).

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including loss risk (claims), credit risk and the effects of changes in equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the acceptable level of loss risk and the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance within the options available in Kenya to hedge against such risks. The Group has policies in place to ensure that insurance is sold to customers with an appropriate claim and credit history.

DIRECTORS

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

Augustine J Hatch* (Chairman)

Zulfikar K Mohamed**

Iain D Cheyne*** (Resigned on 25/11/03)

Amin M Datoo

John D Harris*** (Appointed on 25/11/03)

Sultan K Khimji

Frederic A Lucien****

Joseph M Mugwe

Tom D Owuor

Salim A Talib

* Irish ** Canadian *** British **** French

In accordance with Article 85 of the Company's Articles of Association, the following Directors retire by rotation and, being eligible, offer themselves for re-election:

Mr Tom D Owuor
Mr Salim A Talib

In accordance with Article 90 of the Company's Articles of Association, Mr John D Harris retires and being eligible, offers himself for re-election.

AUDITORS

The Company's independent auditors, PricewaterhouseCoopers, continue in office in accordance with Section 159(2) of the Companies Act.

On behalf of the Board

Joseph M Mugwe
Director
Nairobi, Kenya
23rd April, 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit and loss of the Group for the year. It also requires the Directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the 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 of the Company and of its profit. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Company and its subsidiaries will not remain a going concern for at least twelve months from the date of this statement.

Amin M Datoo
Technical Director

Joseph M Mugwe
Director
23rd April, 2004

CORPORATE GOVERNANCE STATEMENT

The Capital Markets Authority issued guidelines on best corporate governance practices for listed companies in Kenya which came into effect in 2002. The objective of the guidelines is to promote the standards of self-regulation and control so as to bring the level of governance in line with international trends. The Board of Directors is pleased to report that the fundamentals enshrined in the principles of good corporate governance continue to be part of the Company's committed values.

BOARD OF DIRECTORS

The Board comprises of executive, non-executive and independent Directors. The Directors bring to the Board diverse skills and expertise in the areas of actuarial science, insurance & reinsurance, accounting, banking, manufacturing, information technology, human resources and other specialised management and organisational processes. The independent Directors have no management or any other business relationships with the Company, which could influence their independence. During 2003 and up to the date of this statement, none of the Directors has received any benefit from the Company other than Directors' fees and emoluments as disclosed in the notes to the financial statements under note 25. There were no loans advanced to any of the Directors during 2003.

To assist the Board in discharging its duties, various committees have been set up as herein under:

1. Audit and Compliance Committee, chaired by Mr Joseph M Mugwe. This committee oversees internal control processes and the appointment of external auditors.
2. Finance Committee, chaired by Mr Sultan K Khimji, overseeing all financial and investment related matters.
3. IT Steering Committee is responsible for monitoring the new IT system being implemented by the Company for its General and Life insurance operations and is chaired by Mr Salim A Talib.
4. Nominating & Senior Management Remuneration Committee, vets candidates for directorship proposed by the Board and Shareholders, reviews and determines the Company's policy on remuneration and advises on the specific remuneration packages of executive Directors and senior management. This committee is chaired by Mr John D Harris.
5. Strategy Review Committee chaired by Mr Augustine J Hatch focuses on the Company's business model and plans to ensure these develop and evolve, taking into account economic and insurance industry trends and opportunities for expansion.

INTERNAL CONTROL PROCEDURES

To promote efficient and effective use of resources, the Company has an internal audit function whose remit is determined by the Audit and Compliance Committee.This Committee approves in advance the annual plan of audit submitted by the internal audit function for carrying out various checks and controls on the operations of the Company. The committee also reviews on a quarterly basis, the effectiveness of internal control systems and major findings of internal audits. The committee ensures that appropriate action is taken by management as per the recommendations of the internal audit function.

COMMUNICATION WITH SHAREHOLDERS

The Company is committed to ensuring that Shareholders and all other stakeholders including the general public get relevant, accurate and timely information on the Company's financial performance throughout the year. This is done through the distribution of the annual report and accounts and publication of half-yearly and final results in the press. The Company has established a website to *inter alia* improve communication.

DIRECTORS' INTEREST IN THE SHARES OF THE COMPANY AS AT 31ST DECEMBER, 2003

	Name	Number of shares held
1.	Mr Zulfikar K Mohamed	6,640
2.	Mr Amin M Datoo	1,098
3.	Mr Sultan K Khimji (including shares held by his family and company in which he has an interest)	21,591

DISTRIBUTION OF SHAREHOLDERS AS AT 31ST DECEMBER, 2003

Number of shares	Number of Shareholders	Number of shares held	% shareholding
Upto 500	643	154,229	0.43%
501 – 5,000	4,153	6,896,914	19.16%
5,001 – 10,000	414	2,943,787	8.18%
10,001 – 100,000	320	7,535,538	20.93%
100,001 – 1,000,000	13	3,284,728	9.12%
Over 1,000,000	2	15,184,804	42.18%
Total	**5,545**	**36,000,000**	**100.00%**

LIST OF 10 LARGEST SHAREHOLDERS AS AT 31ST DECEMBER, 2003

	Name	Number of shares held	% shareholding
1.	Aga Khan Fund for Economic Development	13,674,546	37.98%
2.	Ameerali K Somji & / or Gulzar A K Somji	1,510,258	4.20%
3.	United Housing Estate Limited	653,184	1.81%
4.	Adam's Brown and Co. Ltd	621,792	1.73%
5.	Ameerali Nazarali Esmail	510,256	1.42%
6.	Jafferali Ali Meghji (deceased)	262,440	0.73%
7.	Ameerali K Somji	182,688	0.51%
8.	Gulzar A K Somji	182,346	0.51%
9.	Noorali Rashid Sayani and Gulshan Noorali Sayani	180,072	0.50%
10.	Gulzar Shamshudeen Somji	139,083	0.39%

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF THE JUBILEE INSURANCE COMPANY LIMITED

We have audited the financial statements of The Jubilee Insurance Company Limited for the year ended 31st December, 2003, set out on pages 14 to 45.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for the preparation of financial statements as set out on page 11. Our responsibility is to express an independent opinion on the financial statements based on our audit.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the Directors, as well as an evaluation of the overall presentation of the financial statements.

We have obtained all the information and explanations that to the best of our knowledge and belief were necessary for the purposes of our audit and believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of the financial affairs of the Group and of the Company as at 31st December, 2003 and of the profit and cash flows of the Group for the year then ended and comply with International Financial Reporting Standards and the Kenyan Companies Act. The balance sheet of the Company is in agreement with the books of account.

PRICEWATERHOUSECOOPERS

Certified Public Accountants
Nairobi, Kenya
23rd April, 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 2003

	Notes	2003 Shs'000	2002 Shs'000
INCOME			
Profit transferred from Short-Term business revenue account		33,536	29,028
Profit transferred from Long-Term business revenue account	6	32,560	18,000
Investment income	3	224,098	96,171
Total income		290,194	143,199
OUTGO			
Expenses not charged to other accounts	2	46,129	14,347
Total outgo		46,129	14,347
Operating profit		244,065	128,852
Share of result of associates before tax	11 (e)	61,599	84,561
Group profit before tax	2	305,664	213,413
Tax	5	(62,939)	(54,057)
Net profit		242,725	159,356
Minority interest	10	(29,964)	5,086
Profit attributable to shareholders		212,761	164,442
Earnings per share (Shs) - basic and diluted	26	5.91	4.57
DIVIDENDS			
Interim - paid	28	18,000	18,000
Final - proposed	28	63,000	45,000
Total dividends		81,000	63,000

The accounting policies on pages 25 to 28 and the notes on pages 29 to 45 form part of these financial statements.

CONSOLIDATED LONG-TERM BUSINESS REVENUE ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 2003

Class of Insurance Business	Notes	Ordinary Life Shs'000	Superannuation Retirement Benefits Fund Shs'000	Superannuation Other Super-annuation Shs'000	2003 Total Shs'000	Restated 2002 Total Shs'000
Gross premium income		232,457	298,458	140,203	**671,118**	531,519
Schemes transferred		-	15,382	-	**15,382**	31,151
Total		232,457	313,840	140,203	**686,500**	562,670
Reinsurance ceded		2,846	-	33,899	**36,745**	24,489
Net premium written		229,611	313,840	106,304	**649,755**	538,181
Policyowners' benefits:						
Claims incurred		106,511	-	5,862	**112,373**	101,557
Surrenders and annuities paid		51,604	157,066	25,227	**233,897**	256,526
Total claims, surrenders and annuities paid		158,115	157,066	31,089	**346,270**	358,083
Commissions (net)		19,746	1,478	(829)	**20,395**	19,410
Expenses of management		129,894	32,586	37,168	**199,648**	173,454
Total expenses		149,640	34,064	36,339	**220,043**	192,864
Investment income	3	99,818	180,506	47,308	**327,632**	263,260
Increase in funds	2	21,674	303,216	86,184	**411,074**	250,494
Share of result of associates before tax	11(e)	13,581	-	26,462	**40,043**	10,009
Increase in share of revaluation surplus of associates		508	-	17,739	**18,247**	774
Fair value gains on marketable securities	15	-	48	-	**48**	64
Fair value gains on unquoted ordinary shares	16	-	38,018	38,017	**76,035**	-
Transfer to profit and loss account	6	(15,000)	(9,622)	(7,938)	**(32,560)**	(18,000)
Tax	5	(693)	(6,154)	(7,923)	**(14,770)**	(8,912)
Long -Term business funds of subsidiaries on consolidation		-	-	-	-	104,270
Movement in funds		20,070	325,506	152,541	**498,117**	338,699
Funds at start of year (as previously reported)		926,996	1,502,363	309,558	**2,738,917**	2,400,218
Deferred tax on fair value gains of investment properties-associates	11(e)	(5,393)	-	-	**(5,393)**	(5,393)
Reclassification of leasehold land-Company	14	47,962	-	11,474	**59,436**	59,436
Reclassification of leasehold land-associates	11(e)	19,248	-	-	**19,248**	19,248
As restated		988,813	1,502,363	321,032	**2,812,208**	2,473,509
Funds at end of year	9(a)	1,008,883	1,827,869	473,573	**3,310,325**	2,812,208

The accounting policies on pages 25 to 28 and the notes on pages 29 to 45 form part of these financial statements.

CONSOLIDATED SHORT-TERM BUSINESS REVENUE ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 2003

Class of Insurance Business	Engineering Shs '000	Fire Domestic Shs '000	Fire Industrial Shs '000	Liability Shs '000	Marine Shs '000
Gross premium income	86,661	28,628	362,130	24,761	107,685
Reinsurance ceded	72,500	14,104	294,224	15,842	58,743
Net premium written	14,161	14,524	67,906	8,919	48,942
Unearned premium brought forward	4,589	6,993	39,289	2,920	20,336
Unearned premium carried forward	4,700	10,273	47,125	3,540	25,716
Net earned premium	14,050	11,244	60,070	8,299	43,562
Claims paid	3,763	2,595	37,605	4,461	16,394
Claims outstanding carried forward	3,887	2,616	24,934	22,650	20,747
Claims outstanding brought forward	3,186	2,891	36,008	26,256	25,914
Claims incurred	4,464	2,320	26,531	855	11,227
Commissions (net)	(5,357)	822	(7,821)	(292)	(3,227)
Expenses of management	11,592	8,118	55,995	6,906	24,365
Total expenses	6,235	8,940	48,174	6,614	21,138
Underwriting profit/(loss)	3,351	(16)	(14,635)	830	11,197

CONSOLIDATED SHORT-TERM BUSINESS REVENUE ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 2003 (CONTINUED)

Motor Shs '000	Personal Accident Shs '000	Theft Shs '000	Workmen's Compensation Shs '000	Miscellaneous Shs '000	2003 Total Shs '000	2002 Total Shs '000
660,180	177,017	79,563	80,028	142,744	1,749,397	1,003,821
27,213	16,871	48,020	31,147	36,261	614,925	267,789
632,967	160,146	31,543	48,881	106,483	1,134,472	736,032
245,674	22,069	8,933	12,529	50,279	413,611	284,746
307,520	25,766	10,964	15,643	45,445	496,692	311,296
571,121	156,449	29,512	45,767	111,317	1,051,391	709,482
291,348	96,998	18,677	31,410	34,761	538,012	387,344
435,350	37,121	23,264	120,722	57,545	748,836	644,602
400,420	27,133	21,225	110,586	63,854	717,473	688,974
326,278	106,986	20,716	41,546	28,452	569,375	342,972
50,863	1,854	(6,302)	1,346	26,458	58,344	114,211
153,916	33,997	17,203	16,202	61,842	390,136	223,271
204,779	35,851	10,901	17,548	88,300	448,480	337,482
40,064	13,612	(2,105)	(13,327)	(5,435)	33,536	29,028

CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER 2003

	Notes	Short-Term Business Shs'000	Long-Term Business Shs'000	2003 Total Shs'000	Restated 2002 Total Shs'000
CAPITAL, RESERVES AND LONG-TERM BUSINESS FUNDS					
Share capital	7	100,000	80,000	180,000	180,000
Revaluation surplus	8 (a)	226,170	39,479	265,649	70,020
General reserves	8 (a)	70,000	161	70,161	70,000
Translation reserves	8 (a)	(11,121)	(8,224)	(19,345)	8,161
Retained earnings	8 (a)	1,461,894	7,846	1,469,740	1,337,979
Proposed dividends	28	63,000	-	63,000	45,000
Shareholders' funds		1,909,943	119,262	2,029,205	1,711,160
Long-Term business funds	9(a)	-	3,310,325	3,310,325	2,812,208
Minority interest	10	214,225	-	214,225	207,059
Total capital, reserves, Long-Term business funds and minority interest		2,124,168	3,429,587	5,553,755	4,730,427
ASSETS					
Fixed assets					
Property and equipment	13 (a)	31,985	13,505	45,490	55,455
Investments					
Investment properties	14 (a)	1,157,699	774,036	1,931,735	1,936,304
Marketable securities	15 (a)	455,880	267	456,147	265,195
Unquoted ordinary shares	16 (a)	120,861	184,513	305,374	107,942
Investment in associates	11 (a)	538,338	367,649	905,987	867,346
Mortgage loans	17 (a)	25,809	90,812	116,621	108,849
Commercial bonds		8,930	-	8,930	2,250
Loans on life insurance policies		-	164,872	164,872	143,814
Government securities	19 (a)	622,671	1,617,401	2,240,072	2,053,959
Deposits with financial institutions		302,607	104,190	406,797	336,267
Other assets					
Premium and other receivables	18 (a)	727,062	88,131	815,193	651,745
Current tax		8,956	-	8,956	-
Cash and bank balances		86,934	199,725	286,659	99,765
Total assets		4,087,732	3,605,101	7,692,833	6,628,891

CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER 2003 (CONTINUED)

	Notes	Short-Term Business Shs'000	Long-Term Business Shs'000	2003 Total Shs'000	Restated 2002 Total Shs'000
LIABILITIES					
Technical provisions					
Unearned premium		496,692	-	496,692	416,984
Outstanding claims		748,836	101,352	850,188	825,134
Other liabilities					
Trade and other payables	21(a)	472,949	64,404	537,353	411,244
Current tax		-	6,058	6,058	11,581
Dividends		58,795	-	58,795	52,927
Bank overdraft		35,417	-	35,417	12,485
Provision for liabilities and charges	22(a)	1,659	3,739	5,398	4,022
Deferred tax	23(a)	149,216	(39)	149,177	164,087
Total liabilities		1,963,564	175,514	2,139,078	1,898,464
Net assets		2,124,168	3,429,587	5,553,755	4,730,427

The financial statements on pages 14 to 45 were approved by the Board of Directors on 23rd April, 2004 and signed on its behalf by:

Amin M Datoo
Technical Director

Joseph M Mugwe
Director

COMPANY BALANCE SHEET

AS AT 31ST DECEMBER 2003

	Notes	Short-Term Business Shs'000	Long-Term Business Shs'000	2003 Total Shs'000	Restated 2002 Total Shs'000
CAPITAL, RESERVES AND LONG-TERM BUSINESS FUNDS					
Share capital	7	100,000	80,000	180,000	180,000
Revaluation surplus	8(b)	292,071	-	292,071	79,466
General reserves	8(b)	70,000	-	70,000	70,000
Translation reserves	8(b)	32,266	-	32,266	24,075
Retained earnings	8(b)	1,027,602	-	1,027,602	965,270
Proposed dividends	28	63,000	-	63,000	45,000
Shareholders' funds		1,584,939	80,000	1,664,939	1,363,811
Long-Term business funds	9(b)	-	3,065,133	3,065,133	2,628,621
Total capital, reserves and Long-Term business funds		1,584,939	3,145,133	4,730,072	3,992,432
ASSETS					
Fixed assets					
Property and equipment	13(b)	11,182	12,926	24,108	33,204
Investments					
Investment properties	14(b)	1,123,399	774,036	1,897,435	1,911,701
Marketable securities	15(b)	409,741	267	410,008	180,543
Unquoted ordinary shares	16(b)	250,766	184,513	435,279	233,310
Investment in subsidiaries	12	162,988	-	162,988	162,988
Investment in associates	11(b)	97,600	204,763	302,363	330,003
Mortgage loans	17(b)	-	90,812	90,812	75,465
Commercial bonds		-	-	-	2,250
Loans on life insurance policies		-	164,872	164,872	143,814
Government securities	19(b)	364,753	1,500,758	1,865,511	1,903,724
Deposits with financial institutions		39,266	91,978	131,244	103,147
Other assets					
Premium and other receivables	18(b)	385,757	134,122	519,879	418,757
Current tax		6,946	-	6,946	-
Cash and bank balances		9,378	194,382	203,760	46,766
Total assets		2,861,776	3,353,429	6,215,205	5,545,672

COMPANY BALANCE SHEET

AS AT 31ST DECEMBER 2003 (CONTINUED)

					Restated
		Short-Term	Long-Term	2003	2002
		Business	Business	Total	Total
LIABILITIES	**Notes**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Technical provisions					
Unearned premium		220,476	-	220,476	294,694
Outstanding claims		603,653	100,840	704,493	739,252
Other liabilities					
Trade and other payables	21(b)	192,850	102,157	295,007	255,840
Current tax		-	1,560	1,560	15,834
Dividends		58,795	-	58,795	52,927
Bank overdraft		32,612	-	32,612	9,902
Provision for liabilities and charges	22(b)	283	3,739	4,022	4,022
Deferred tax	23(b)	168,168	-	168,168	180,769
Total liabilities		1,276,837	208,296	1,485,133	1,553,240
Net assets		1,584,939	3,145,133	4,730,072	3,992,432

The financial statements on pages 14 to 45 were approved by the Board of Directors on 23rd April, 2004 and signed on its behalf by:

Amin M Datoo
Technical Director

Joseph M Mugwe
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2003

Year ended 31st December, 2002	Notes	Share Capital Shs'000	Revaluation Surplus Shs'000	General Reserves Shs'000	Translation Reserves Shs'000	Retained Earnings Shs'000	Proposed Dividends Shs'000	Total Shs'000
At start of year (as previously reported)		180,000	8,427	70,000	14,810	1,009,699	45,000	1,327,936
- reclassification of leasehold land - Company	14(a)	-	-	-	-	260,366	-	260,366
- reclassification of leasehold land - associates	11(e)	-	-	-	-	51,880	-	51,880
- deferred tax on fair value gains - Company	23(a)	-	-	-	-	(70,874)	-	(70,874)
- deferred tax on fair value gains - associates	11(e)	-	-	-	-	(14,534)	-	(14,534)
As restated		180,000	8,427	70,000	14,810	1,236,537	45,000	1,554,774
Revaluation surplus (net)		-	61,593	-	-	-	-	61,593
Translation loss (net)		-	-	-	(6,649)	-	-	(6,649)
Net profit		-	-	-	-	164,442	-	164,442
Dividends: - Final for 2001 paid		-	-	-	-	-	(45,000)	(45,000)
- Interim for 2002 paid	28	-	-	-	-	(18,000)	-	(18,000)
- Final for 2002 proposed	28	-	-	-	-	(45,000)	45,000	-
At end of year		180,000	70,020	70,000	8,161	1,337,979	45,000	1,711,160
Year ended 31st December, 2003								
At start of year (as previously reported)		180,000	70,020	70,000	8,161	1,111,141	45,000	1,484,322
- reclassification of leasehold land - Company	14(a)	-	-	-	-	260,366	-	260,366
- reclassification of leasehold land - associates	11(e)	-	-	-	-	51,880	-	51,880
- deferred tax on fair value gains - Company	23(a)	-	-	-	-	(70,874)	-	(70,874)
- deferred tax on fair value gains - associates	11(e)	-	-	-	-	(14,534)	-	(14,534)
As restated		180,000	70,020	70,000	8,161	1,337,979	45,000	1,711,160
Revaluation surplus (net)		-	195,629	-	-	-	-	195,629
Translation loss (net)	8(a)	-	-	-	(27,506)	-	-	(27,506)
General reserves	8(a)			161				161
Net profit		-	-	-	-	212,761	-	212,761
Dividends: - Final for 2002 paid	28	-	-	-	-	-	(45,000)	(45,000)
- Interim for 2003 paid	28	-	-	-	-	(18,000)	-	(18,000)
- Final for 2003 proposed	28	-	-	-	-	(63,000)	63,000	-
At end of year		180,000	265,649	70,161	(19,345)	1,469,740	63,000	2,029,205

The accounting policies on pages 25 to 28 and the notes on pages 29 to 45 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2003

Year ended 31st December, 2002	Notes	Share Capital Shs'000	Revaluation Surplus Shs'000	General Reserves Shs'000	Translation Reserves Shs'000	Retained Earnings Shs'000	Proposed Dividends Shs'000	Total Shs'000
At start of year (as previously reported)		180,000	91,333	70,000	22,446	719,664	45,000	1,128,443
- reclassification of leasehold land	14(b)	-	-	-	-	260,366	-	260,366
- deferred tax on fair value gains	23(b)	-	-	-	-	(70,874)	-	(70,874)
As restated		180,000	91,333	70,000	22,446	909,156	45,000	1,317,935
Revaluation deficit (net)	8(b)	-	(11,867)	-	-	-	-	(11,867)
Translation gain (net)	8(b)	-	-	-	1,629	-	-	1,629
Net profit		-	-	-	-	119,114	-	119,114
Dividends: - Final for 2001 paid		-	-	-	-	-	(45,000)	(45,000)
- Interim for 2002 paid	28	-	-	-	-	(18,000)	-	(18,000)
- Final for 2002 proposed	28	-	-	-	-	(45,000)	45,000	-
At end of year		180,000	79,466	70,000	24,075	965,270	45,000	1,363,811
Year ended 31st December, 2003								
At start of year (as previously reported)		180,000	79,466	70,000	24,075	775,778	45,000	1,174,319
- reclassification of leasehold land	14(b)	-	-	-	-	260,366	-	260,366
- deferred tax on fair value gains	23(b)	-	-	-	-	(70,874)	-	(70,874)
As restated		180,000	79,466	70,000	24,075	965,270	45,000	1,363,811
Revaluation surplus (net)	8(b)	-	212,605	-	-	-	-	212,605
Translation gain (net)	8(b)	-	-	-	8,191	-	-	8,191
Net profit		-	-	-	-	143,332	-	143,332
Dividends: - Final for 2002 paid	28	-	-	-	-	-	(45,000)	(45,000)
- Interim for 2003 paid	28	-	-	-	-	(18,000)	-	(18,000)
- Final for 2003 proposed	28	-	-	-	-	(63,000)	63,000	-
At end of year		180,000	292,071	70,000	32,266	1,027,602	63,000	1,664,939

The accounting policies on pages 25 to 28 and the notes on pages 29 to 45 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
SHORT-TERM BUSINESS FOR THE YEAR ENDED 31ST DECEMBER 2003

	Notes	2003 Shs'000	2002 Shs'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		305,664	213,413
Adjustments for:			
Depreciation		18,496	10,420
Profit on sale of marketable securities		(60,661)	(674)
Change in premium and claims reserves		114,369	160,441
Investment income		(224,098)	(96,171)
Increase in fair value of investment properties		(3,834)	-
Share of result of associates before tax		(61,599)	(84,561)
Operating profit before working capital changes		88,337	202,868
Increase in premium and other receivables		(149,844)	(145,052)
Increase in trade and other payables/provision for liabilities and charges		184,605	87,619
Cash generated from operations		123,098	145,435
Income tax paid		(73,197)	(16,456)
Net cash inflow from operating activities		49,901	128,979
CASH FLOW FROM INVESTING ACTIVITIES			
Investment income		224,098	96,171
Dividends received from associates		10,553	10,553
Proceeds from sale of marketable securities		135,490	31,537
Purchase of fixed assets		(13,785)	(35,010)
(Additions)/transfer of investment properties		(28,498)	136,828
Purchase of marketable securities		(94,280)	(63,637)
Disposal of unquoted ordinary shares		3,123	68,383
Purchase of additional shares in associates		(25,105)	(57,212)
Net mortgage loans redeemed/(advanced)		5,752	(33,384)
Net addition of government securities maturing after 91 days of the date of acquisition		(114,382)	(206,911)
Net cash inflow/ (outflow) from investing activities		102,966	(52,682)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid		(57,132)	(58,685)
Net cash outflow from financing activities		(57,132)	(58,685)
Increase in cash and cash equivalents		95,735	17,612
Cash and cash equivalents at start of year	20	544,619	288,023
Additional cash and cash equivalents from subsidiaries on first year consolidation		-	237,656
Effects of exchange rate changes on cash and cash equivalents in foreign currencies		(19,799)	1,328
Cash and cash equivalents at end of year	20	620,555	544,619

The accounting policies on pages 25 to 28 and the notes on pages 29 to 45 form part of these financial statements.

The principal accounting policies adopted in the preparation of these financial statements are set out below:

a) BASIS OF PREPARATION

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS). The financial statements are presented in Kenya Shillings (Shs) rounded to the nearest thousand and prepared under the historical cost convention, as modified by the revaluation of marketable securities and investment properties.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

b) CONSOLIDATION

The Group accounts incorporate the accounts of subsidiary companies made up to 31 December of each year. All inter-company transactions, balances and unrealised surpluses and deficits on transactions between the Company and the subsidiaries have been eliminated. The accounting policies for the subsidiaries are consistent with the policies adopted by the holding Company. A listing of subsidiaries is shown in note 12.

c) INVESTMENT IN ASSOCIATES

Associates are undertakings in which the group has between 20% and 50% of voting rights.
Investments in associated undertakings are accounted for in the consolidated financial statements by the equity method of accounting, based on the most recent financial statements and at cost in the Company's financial statements. Provisions are recorded for any long-term impairment in value.

Equity accounting involves recognising in the income statement, the Group's share of the associate's profit or loss for the year. The Group's interest in the associates is carried in the balance sheet at an amount that reflects its share of the net assets of the associate. A listing of the Group's associated undertakings is shown in note 11.

d) FOREIGN CURRENCIES

Transactions in foreign currencies during the year are converted into Kenya Shillings at rates ruling at the transaction dates. Income statements of foreign entities are translated into the Group's reporting currency at average exchange rates for the year and the balance sheets are translated at the year - end exchange rates. Exchange differences arising from the translation of the net investment in foreign enterprises and associated undertakings are taken to the translation reserves in Shareholders' equity.

e) UNDERWRITING RESULTS

Short-Term insurance business

(i) The underwriting results for the Short-Term insurance business are determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premium, net of reinsurance.

(ii) Unearned premium represents the portion of premium written (net of reinsurance) in periods up to the balance sheet date which relate to the unexpired terms of the policies in force at the balance sheet date, calculated using the 1/24th method.

(iii) 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 balance sheet 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).

(iv) Acquisition costs representing commissions (net of commission recoverable) are allocated to the revenue account as incurred in the management of each class of business. Acquisition costs are deferred over the period in which the related premium written is earned. The movement in deferred acquisition costs is included in the commissions shown in the Short-Term business revenue account while deferred costs at year - end are included in Premium and other receivables in the balance sheet.

e) UNDERWRITING RESULTS (CONTINUED)

(v) Management expenses relating to direct business are allocated to the revenue account as incurred in the management of each class. Management expenses for reinsurance accepted are allocated on the basis of the reinsurance premium written in each class of business.

(vi) Results of the Company's share of the two Kenya Motor Insurance Pools are accounted for in the revenue accounts in accordance with the Pool's accounting year which runs from October to September of the following year. As a result, the Pools' results for the 4th quarter of the Company's accounting year are accounted for in the subsequent year.

Long-Term insurance business

(i) Premium shown in the Long-Term business revenue account is accounted for on a basis which approximates to a pre-debit method of accounting as adjusted for estimated lapses.

(ii) Claims arising on maturity are recognised on the maturity date. Death claims are recorded on notification. Surrenders and annuities are accounted for on payment.

(iii) Expenses and commissions are allocated as incurred in the management of each class of business. Commissions are shown net of reinsurance commission earned.

(iv) An annual investigation is carried out by an actuary into the financial condition of the Long-Term business funds. Surpluses arising, if any, are allocated to policyholders' bonuses and to the Shareholders' profit by the Directors with the advice of the actuary, in accordance with the Articles of Association and the provisions of the Insurance Act. Any balance remaining is carried forward in the Long-Term business funds.

f) OTHER EXPENSES

Certain expenses not directly relating to insurance business being Board meeting and Annual General Meeting expenses, Directors' fees, Nairobi Stock Exchange listing fee, the cost of printing annual accounts, professional fees and restructuring expenses are not allocated to the revenue accounts, but charged directly to the profit and loss account.

g) INVESTMENT INCOME

Investment income is stated net of investment expenses and includes fair value gains/losses on investment properties. Interest and rent are recognised as income in the period in which they are earned. Dividends are recognised as income in the period in which they are declared.

Income arising on investments held by the Long-Term business is taken up in the Long-Term business revenue account whilst income derived from investments held by the Short-Term business is credited to the profit and loss account.

h) INVESTMENT PROPERTIES

Investment properties comprise land and buildings held to earn rentals and/or for capital appreciation. They are carried at market value determined annually, based on valuations by external independent valuers. Investment properties are not subject to depreciation. Changes in their carrying amount between balance sheet dates are processed through the profit and loss account for assets attributable to the Short-Term business, and through the Long-Term business revenue account for assets attributable to the Long-Term business.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account for investment properties held by the Short-Term business, and the Long-Term business revenue account for investment properties held by the Long-Term business.

i) OTHER INVESTMENTS

All purchase and sale of investments are recognised on the trade date, which is the date the Group commits to purchase or sell the asset. The cost of purchase includes transaction costs. Management subsequently determines the appropriate classification of its investments and re-evaluates such designation on a regular basis as follows:

Investments with fixed maturity that the Group has the intent and ability to hold to maturity are classified as held-to-maturity and are carried at amortised cost. Non-equity investments purchased in the primary market (i.e. directly from the issuer) are classified as originated loans, and are carried at amortised cost. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale and are carried at fair value.

Investments are classified and carried at values as follows:

i) Marketable securities are classified as available-for-sale investments and are carried at fair value. Their fair value is calculated by reference to the stock exchange quoted bid prices at the close of business on the balance sheet date.

ii) Unquoted ordinary shares are classified as available-for-sale investments. They are shown at fair value unless their value cannot be reliably measured, when they are carried at cost less provision for impairment.

iii) Government securities, are classified as originated loans. They are carried at amortised cost (i.e. cost plus accrued discount or interest) and any premium or discount is amortised through income, using the effective yield method.

iv) Fixed deposits, commercial paper and other commercial bonds are classified as originated loans. These are carried at amortised cost (i.e. cost plus accrued income), using the effective yield method.

(v) Mortgage loans are carried at redemption values, after provision for non-performing loans. Instalments due on loans remaining unpaid for more than three months are not recognised and are fully provided for in the income statement.

(vi) Loans on life insurance policies are carried within their surrender values at redemption values.

Fair value gains/(losses) arising on other investments held by the Short-Term business are credited/(debited) to revaluation surplus while gains/(losses) in respect of investments held by the Long-Term business are dealt with in the Long-Term business revenue account.

Profits or losses resulting from the sale of other investments held by the Short-Term business are credited or charged to the profit and loss account in the year in which the sale takes place, after releasing such amounts as are reflected in the revaluation surplus relating to such investments.

Profits or losses resulting from the sale of other investments held by the Long-Term business are credited or charged to the Long-Term business revenue account. Profit or loss is determined by comparing net proceeds with the carrying value of the investments sold.

j) FIXED ASSETS

Fixed assets are stated at historical cost less depreciation, calculated to write off the cost of the assets to their residual values over the expected useful lives as follows:

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

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

k) PREMIUM AND OTHER RECEIVABLES

Premium and other receivables are carried at anticipated realisable value. A review of all outstanding amounts is carried out at year - end to identify and provide for doubtful receivables.

l) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and cheques on hand, deposits held at banks, including call deposits and short-term government securities, net of bank overdrafts. In the balance sheet, bank overdrafts are included under other liabilities.

m) EMPLOYEE ENTITLEMENTS

Employee entitlements to annual leave are recognised when they accrue to employees. The estimated monetary liability for employees' annual leave entitlement at the balance sheet date is recognised as an expense accrual.

n) PENSION OBLIGATIONS

The Company operates a defined contribution pension scheme for its employees. The contributions to the pension scheme are charged to the revenue accounts in the year to which they relate.

o) DEFERRED TAX

Deferred tax is provided for, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted or substantively enacted tax rates are used to determine deferred tax.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

p) DIVIDENDS

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

q) COMPARATIVES

Where necessary, comparative figures have been adjusted or extended to conform with changes in presentation in the current year. In particular, the comparatives have been adjusted to take into account the reclassification of leasehold land and the related deferred tax following the early adoption of International Accounting Standards 40, Investment Properties (revised 2003), during the year.

1. SEGMENT INFORMATION

The Group's operation are from the two main business segments of Short-Term and Long-Term insurance business. The results of these two segments are reported separately under the consolidated Short-Term business revenue account and the consolidated Long-Term business revenue account respectively, which are part of the financial statements. The other major operations of the Group comprise property and other investment activities.

The Short-Term business operations are primarily from the following business segments:
i) Direct insurance
ii) Reinsurance accepted

a) Primary reporting format - business segments

The following segment information is given in respect of the Short-Term insurance business:

	Year ended 31st December, 2003			Year ended 31st December, 2002		
	Direct Insurance Shs'000	Re-insurance Accepted Shs'000	Total Shs'000	Direct Insurance Shs'000	Re-insurance Accepted Shs'000	Total Shs'000
Group premium	1,735,298	14,099	1,749,397	705,449	298,372	1,003,821
Segment result	36,428	(2,892)	33,536	(33,604)	62,632	29,028
Segment liabilities :						
-technical provisions	1,198,809	46,719	1,245,528	611,870	344,028	955,898

The Jubilee Insurance Company of Uganda Limited and The Jubilee Insurance Company of Tanzania Limited became subsidiaries effective 31st December, 2002 and therefore, the results of both companies were consolidated in 2003 financial statements.

b) Secondary reporting format - geographical segments

The Group's geographical segments of Short-Term business are Kenya, Uganda, Tanzania, Mauritius and India. Kenya is the home country of the parent Company. The Company accepted reinsurance business from its subsidiaries and associates operating in East Africa and Mauritius. The Group has investments in these geographical segments.

The information on Long-Term business is disclosed in the Long-Term business revenue account. The Long-Term business assets are disclosed separately in the balance sheet.

The following is the geographical segment information relating to the Short-Term business and Shareholders' funds:

	Gross premium		Investment income		Total assets	
	2003 Shs'000	2002 Shs'000	2003 Shs'000	2002 Shs'000	2003 Shs'000	2002 Shs'000
Kenya	678,663	565,573	127,269	79,649	1,895,599	2,029,733
Uganda	365,650	130,179	41,743	7,663	1,383,849	975,902
Tanzania	532,564	160,920	23,605	-	503,637	256,102
Mauritius	172,520	147,149	20,043	8,812	295,783	178,720
India	-	-	11,438	47	8,864	12,327
Total	1,749,397	1,003,821	224,098	96,171	4,087,732	3,452,784

2. GROUP PROFIT BEFORE TAX AND INCREASE IN LONG-TERM BUSINESS FUNDS

The Group profit before tax and the increase in Long-Term business funds are arrived at after charging:	Short-Term Business Shs'000	Long-Term Business Shs'000	2003 Total Shs'000	2002 Total Shs'000
Depreciation (note 13(a))	18,496	7,425	25,921	19,582
Auditors' remuneration including VAT (Company: 2003: Shs 3,712,087 2002: Shs 3,438,000)	5,792	1,155	6,947	3,931
Staff costs (note 4)	206,578	102,510	309,088	212,743

Expenses directly charged to consolidated profit and loss account include:

	2003	2002
Restructuring expenses	12,567	2,838
Annual report expenses	1,633	1,223
Directors' fees (note 25)	1,838	1,480
Board meeting and AGM expenses	4,016	2,059
Expenses of non - insurance subsidiaries	14,976	499
Professional fees	10,764	5,946
Others	335	302
Total	46,129	14,347

3. INVESTMENT INCOME

Group	Short-Term Business Shs'000	Long-Term Business Shs'000	2003 Total Shs'000	2002 Total Shs'000
Mortgage loan interest	2,702	48,356	51,058	8,557
Bank deposit interest	20,901	7,293	28,194	12,837
Government securities interest	38,924	184,130	223,054	183,033
Dividend income	14,709	7,277	21,986	14,710
Rental income (net of expenses)	36,843	54,931	91,774	98,881
Gain on sale of investment	60,661	13,160	73,821	5,067
Fair value gains on investment properties (note 14(a))	3,834	3,000	6,834	5,270
Exchange gain	11,839	-	11,839	2,873
Other income	33,685	9,485	43,170	28,203
Total	224,098	327,632	551,730	359,431

4. STAFF COSTS

Group	Short-Term Business Shs'000	Long-Term Business Shs'000	2003 Total Shs'000	2002 Total Shs'000
Wages and salaries	185,184	91,191	276,375	190,649
Pension costs – defined contribution plan	4,257	2,838	7,095	6,745
Other benefits	17,137	8,481	25,618	15,349
Total	206,578	102,510	309,088	212,743

The number of persons employed by the Group at year end were 293 (2002: 203).

5. TAX

Group	Short-Term Business Shs'000	Long-Term Business Shs'000	2003 Total Shs'000	2002 Total Shs'000
Current tax	54,137	10,643	64,780	37,993
Share of tax of associates (note 11(e))	17,650	11,434	29,084	28,699
Deferred tax (note 23(a))	(8,848)	(7,307)	(16,155)	(3,723)
Total	62,939	14,770	77,709	62,969

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the home country of the Company as follows:

	2003 Shs'000	2002 Shs'000
Profit before tax	305,664	213,413
Tax calculated at 30% (2002: 30%)	91,699	64,024
Effect of:		
Income not subject to tax	(29,971)	(9,683)
Expenses not deductible for tax purposes	7,955	5,277
Share of tax of associates for Long-Term business	11,434	3,272
Others	(3,408)	79
Tax charge	77,709	62,969

The Company's tax is based on Income Tax provisions applicable to composite insurance companies. As the transfer of the surplus from the Long-Term business to the profit and loss account gave rise to a higher charge, the additional attributable tax in respect of the transfer was charged to the Long-Term business. The transfer together with the attributable tax were within the limit permitted under the Insurance Act for transfer of surplus from Long-Term business.

6. ACTUARIAL VALUATION AND TRANSFER FROM LONG-TERM BUSINESS

Group

The Group's actuaries carried out actuarial valuations of the Long-Term business as at 31st December, 2003. On the recommendation of the actuaries, the following amounts were transferred from the actuarial surplus of Long-Term business to the profit and loss account:

	2003 Shs'000	2002 Shs'000
The Jubilee Insurance Company Limited	25,000	18,000
The Jubilee Insurance Company of Tanzania Limited	7,560	-
Total	32,560	18,000

7. SHARE CAPITAL

Ordinary shares of Shs 5 each	Number of shares 2003 '000	Number of shares 2002 '000	Share capital 2003 Shs'000	Share capital 2002 Shs'000
Authorised (Short-Term business)	24,000	24,000	120,000	120,000
Authorised (Long-Term business)	16,000	16,000	80,000	80,000
Total	40,000	40,000	200,000	200,000
Issued and fully paid				
At start and end of year (Short-Term business)	20,000	20,000	100,000	100,000
At start and end of year (Long-Term business)	16,000	16,000	80,000	80,000
Total	36,000	36,000	180,000	180,000

8. RESERVES

(a) Group

	2003 Shs'000	2002 Shs'000
Revaluation surplus		
At start of year	70,020	8,427
Fair value gains on marketable securities	206,063	5,095
Fair value losses on unquoted ordinary shares (note 16(a))	(7,077)	(18,957)
Revaluation surplus/ (deficit) from subsidiaries	30,060	(1,815)
Revaluation (deficit)/ surplus from associates	(33,417)	77,270
At end of year	265,649	70,020

The revaluation surplus is non-distributable.

	2003 Shs'000	2002 Shs'000
General reserves		
At start of year	70,000	70,000
Share of subsidiaries' general reserves	161	-
At end of year	70,161	70,000

General reserves includes Shs 70 million which was an appropriation of retained earnings in 1992, and is therefore distributable.

	2003 Shs'000	2002 Shs'000
Translation reserves		
At start of year	8,161	14,810
Net translation loss	(39,188)	(1,333)
Share of reserves from associates	11,682	(5,316)
At end of year	(19,345)	8,161

	2003 Shs'000	2002 Shs'000
Retained earnings		
At start of year (as previously reported)	1,111,141	1,009,699
-reclassification of leasehold land - Company (note 14(a))	260,366	260,366
-reclassification of leasehold land - associates (note 11 (e))	51,880	51,880
-deferred tax on fair value gains - Company (note 23 (a))	(70,874)	(70,874)
-deferred tax on fair value gains - associates (note 11 (e))	(14,534)	(14,534)
As restated	1,337,979	1,236,537
Net profit	212,761	164,442
Paid and proposed dividends	(81,000)	(63,000)
At end of year	1,469,740	1,337,979

The prior year adjustment relates to the reclassification of leasehold land and deferred tax thereon, following the early adoption of International Accounting Standard 40, Investment Properties (revised 2003), during the year.

8. RESERVES (CONTINUED)

(b) Company

	2003 Shs'000	2002 Shs'000
Revaluation surplus		
At start of year	79,466	91,333
Fair value gains on marketable securities (note 15(b))	220,511	5,095
Fair value loss on unquoted shares (note 16(b))	(7,906)	(16,962)
At end of year	292,071	79,466

The revaluation surplus is non-distributable.

General reserves		
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.

Translation reserves		
At start of year	24,075	22,446
Translation gain	8,191	1,629
At end of year	32,266	24,075

Retained earnings		
At start of year (as previously reported)	775,778	719,664
-reclassification of leasehold land (note 14(b))	260,366	260,366
-deferred tax on fair value gains (note 23(b))	(70,874)	(70,874)
As restated	965,270	909,156
Net profit	143,332	119,114
Paid and proposed dividend	(81,000)	(63,000)
At end of year	1,027,602	965,270

Fair value gains/(losses) arising from the Company's investment properties are credited/(charged) through the profit and loss account. The Commissioner of Insurance has placed restrictions on distribution of these reserves by the Company which amounted to Shs 642,209,984 as at 31st December, 2003 (2002:Shs 642,130,736).The prior year adjustment relates to the reclassification of leasehold land and deferred tax thereon, following the early adoption of International Accounting Standard 40, Investment Properties (revised 2003), during the year.

9. LONG-TERM BUSINESS FUNDS

The Long-Term business funds are split as follows:

	2003 Shs'000	2002 Shs'000
(a) Group		
Ordinary life	1,008,883	988,813
Retirement benefits fund	1,827,869	1,502,363
Other superannuation	473,573	321,032
Total	3,310,325	2,812,208
(b) Company		
Ordinary life	913,863	903,497
Retirement benefits fund	1,739,025	1,419,105
Other superannuation	412,245	306,019
Total	3,065,133	2,628,621

Other superannuation includes group life and immediate annuity business.

10. MINORITY INTEREST

	2003 Shs'000	2002 Shs'000
At start of year	207,059	55,024
Share of:		
- net profit/ (loss) of subsidiaries	29,964	(5,086)
- reserves of subsidiaries	(22,798)	(947)
- net assets in The Jubilee Insurance Company of Uganda Limited	-	45,702
- net assets in The Jubilee Insurance Company of Tanzania Limited	-	112,366
At end of year	214,225	207,059

11. INVESTMENT IN ASSOCIATED COMPANIES AND SUBSIDIARIES

(a) Group

Share of net assets in:	Short-Term Business Shs'000	Long -Term Business Shs'000	2003 Total Shs'000	2002 Total Shs'000	2003 % Equity Held	2002 % Equity Held
Property Development and Management Limited	333,023	115,472	448,495	417,061	34.76	34.76
Kenya Litho Limited	-	-	-	33,540	5.58	25.58
IPS Power Investment Limited	-	119,400	119,400	118,956	27.00	27.00
TPS Holdings Limited	152,970	5,452	158,422	160,098	21.52	21.52
East Africa Reinsurance Company Limited	52,345	127,325	179,670	137,691	25.83	21.54
Total	538,338	367,649	905,987	867,346		

(b) Company

Investment at cost in:	Short-Term Business Shs'000	Long -Term Business Shs'000	2003 Total Shs'000	2002 Total Shs'000	2003 % Equity Held	2002 % Equity Held
Property Development and Management Limited	64,710	33,190	97,900	97,900	27.75	27.75
Kenya Litho Limited	-	-	-	25,362	5.58	25.58
IPS Power Investment Limited	-	91,573	91,573	118,956	27.00	27.00
East Africa Reinsurance Company Limited	32,890	80,000	112,890	87,785	25.83	21.54
Total	97,600	204,763	302,363	330,003		

(c) Kenya Litho Limited ceased to be an associate on 1st January 2003 upon a rights issue to which the Group did not subscribe thereby diluting the effective shareholding from 25.58% to 5.58%.

(d) Property Development and Management Limited conducts property investment, development and management. 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. TPS Holdings Limited has invested in the equity of Tourism Promotion Services Limited, the owner and operator of hotel and lodge facilities in Kenya. East Africa Reinsurance is a private reinsurance company. All the associated companies are incorporated in Kenya.

11. INVESTMENT IN ASSOCIATED COMPANIES AND SUBSIDIARIES (CONTINUED)

(e) Movement of net assets during the year:

	Short-Term Business Shs'000	Long-Term Business Shs'000	2003 Total Shs'000	2002 Total Shs'000
Group				
At start of year (as previously reported)	473,055	343,090	816,145	727,475
-reclassification of leasehold land	51,880	19,248	71,128	71,128
-deferred tax on fair value gains	(14,534)	(5,393)	(19,927)	(19,927)
As restated	510,401	356,945	867,346	778,676
Transfers (to)/ from unquoted investments	(33,540)	-	(33,540)	137,212
Additions/(disposals)	25,105	(27,383)	(2,278)	-
Share of result before tax	61,599	40,043	101,642	94,570
Share of tax (note 5)	(17,650)	(11,434)	(29,084)	(28,699)
Dividends received	(10,553)	(10,612)	(21,165)	(12,728)
Revaluation surplus	10,822	12,244	23,066	79,837
Transfer of reserves to Long-Term business	(7,846)	7,846	-	-
Adjustment for associates changed to subsidiaries:				
The Jubilee Insurance Company of Uganda Limited	-	-	-	(64,569)
The Jubilee Insurance Company of Tanzania Limited	-	-	-	(116,953)
At end of year	538,338	367,649	905,987	867,346

(f) Reinsurance business

The Company accepted reinsurance business from the following associated companies and subsidiaries in the year:

Premium Income

	2003 Shs'000	2002 Shs'000
The Jubilee Insurance Company of Uganda Limited	71,763	130,179
Jubilee Insurance (Mauritius) Ltd	-	89,613
The Jubilee Insurance Company of Tanzania Limited	-	160,920
East Africa Reinsurance Company Limited	92,183	-
Total	163,946	380,712

Incurred claims and commissions

	2003 Shs'000	2002 Shs'000
The Jubilee Insurance Company of Uganda Limited	55,495	81,654
Jubilee Insurance (Mauritius) Ltd	35,963	85,576
The Jubilee Insurance Company of Tanzania Limited	20,422	79,607
East Africa Reinsurance Company Limited	41,836	-
Total	153,716	246,837

11. INVESTMENTS IN ASSOCIATED COMPANIES AND SUBSIDIARIES (CONTINUED)

(f) Reinsurance business (continued)

Balances

The following were the outstanding balances on the reinsurance arrangement as at 31st December. The debit balances are included under Premium and other receivables while the credit balances are included under Trade and other payables in the Company balance sheet.

	2003 Shs'000	2002 Shs'000
Amount due from:		
The Jubilee Insurance Company of Uganda Limited	5,941	18,770
Jubilee Insurance (Mauritius) Ltd	-	14,183
The Jubilee Insurance Company of Tanzania Limited	-	15,662
East Africa Reinsurance Company Limited	17,625	-
Total	23,566	48,615
Amount due to:		
The Jubilee Insurance (Mauritius) Ltd	13,422	-
The Jubilee Insurance Company of Tanzania Limited	13,247	-
Total	26,669	-

(g) Transactions with Property Development and Management Limited

During the year, the Company charged premium of Shs 6,581,032 (2002: Shs 2,960,407) under various insurance contracts to Property Development and Management Limited (PDML) out of which Shs 2,335,278 was outstanding at year end which is included under Premium and other receivables in the balance sheet. PDML charged Shs 2,381,484 (2002: Shs 318,391) for the various services rendered to the Company during the year and there was no outstanding amount at year - end. The terms and conditions of all the transactions are the same as we offer to our major clients.

12. INVESTMENT IN SUBSIDIARIES

Investment at cost at year-end:

	Country of incorporation	Group Shs'000	Company Shs'000	2003 % Equity Held by Group	2002 % Equity Held by Group
The Jubilee Investments Company Limited	Uganda	14,278	14,278	75.00	75.00
Jubilee Financial Services Limited	Kenya	10,000	10,000	100.00	100.00
Jubilee Insurance (Mauritius) Ltd	Mauritius	47,189	40,604	53.30	53.30
The Jubilee Insurance Company of Uganda Limited	Uganda	35,359	25,195	56.25	56.25
The Jubilee Insurance Company of Tanzania Limited	Tanzania	72,911	72,911	51.00	51.00
Thillai Software Private Limited	India	807	-	100.00	80.00
Total		180,544	162,988		

The Jubilee Investments Company Limited owns 35% equity of The Jubilee Insurance Company of Uganda Limited. Jubilee Financial Services Limited owns 100% equity of Thillai Software Private Limited. The Jubilee Insurance Company of Uganda Limited owns 10% equity of Jubilee Insurance (Mauritius) Ltd.

13. PROPERTY AND EQUIPMENT

(a) Group

	Computer Equipment Shs'000	Motor Vehicles Shs'000	Furniture, Fixtures, Fittings & Office Equipment Shs'000	Total Shs'000
Cost				
At start of year	101,592	35,191	89,536	226,319
Additions	12,163	8,152	2,667	22,982
Exchange adjustment	(1,058)	(1,170)	(1,206)	(3,434)
Disposals	(1,155)	(4,133)	(3,982)	(9,270)
At end of year	111,542	38,040	87,015	236,597
Depreciation				
At start of year	87,679	31,097	52,088	170,864
Charge for the year	13,246	3,755	8,920	25,921
Exchange adjustment	(1,144)	(971)	(797)	(2,912)
On disposals	(354)	(2,375)	(37)	(2,766)
At end of year	99,427	31,506	60,174	191,107
Net book value				
At 31st December, 2003	12,115	6,534	26,841	45,490
At 31st December, 2002	13,913	4,094	37,448	55,455

(b) Company

	Computer Equipment Shs'000	Motor Vehicles Shs'000	Furniture, Fixtures, Fittings & Office Equipment Shs'000	Total Shs'000
Cost				
At start of year	70,980	18,382	65,350	154,712
Additions	5,127	-	550	5,677
Disposals	-	(1,499)	-	(1,499)
At end of year	76,107	16,883	65,900	158,890
Depreciation				
At start of year	65,618	15,664	40,226	121,508
Charge for the year	6,575	1,402	6,796	14,773
On disposals	-	(1,499)	-	(1,499)
At end of year	72,193	15,567	47,022	134,782
Net book value				
At 31st December, 2003	3,914	1,316	18,878	24,108
At 31st December, 2002	5,362	2,718	25,124	33,204

No depreciation has been charged in arriving at the results for the year in respect of certain property and equipment which originally cost Shs 92,090,872 (2002: Shs 71,100,040) and are still in use but fully depreciated. If depreciation had been charged during the year on the cost of these assets at normal rates, it would have amounted to Shs 25,035,386 (2002: Shs 18,810,704).

14. INVESTMENT PROPERTIES

The valuation of freehold and leasehold properties as at 31st December, 2002 and 31st December, 2003 was carried out by Knight Frank Kenya Ltd on an open market basis. Investment properties include properties situated outside Kenya valued at Shs 746,000,000 (2002: Shs 727,265,625), included under Short-Term business.

	Short-Term Business Shs'000	Long-Term Business Shs'000	2003 Total Shs'000	2002 Total Shs'000
(a) Group				
At start of year (as previously reported)	890,001	726,500	1,616,501	1,533,246
-reclassification of leasehold land	260,366	59,437	319,803	319,803
As restated	1,150,367	785,937	1,936,304	1,853,049
Transfer between Short-Term and Long-Term business (net)	(24,099)	24,099	-	-
Disposals	-	(39,000)	(39,000)	-
Exchange Difference	(901)	-	(901)	(324)
Additions	28,498	-	28,498	78,309
Fair value gains (note 3)	3,834	3,000	6,834	5,270
At end of year	1,157,699	774,036	1,931,735	1,936,304
(b) Company				
At start of year (as previously reported)	865,398	726,500	1,591,898	1,525,511
-reclassification of leasehold land	260,366	59,437	319,803	319,803
As restated	1,125,764	785,937	1,911,701	1,845,314
Transfer between Short-Term and Long-Term business (net)	(24,099)	24,099	-	-
Disposals	-	(39,000)	(39,000)	-
Additions	21,621	-	21,621	61,117
Fair value gains	113	3,000	3,113	5,270
At end of year	1,123,399	774,036	1,897,435	1,911,701

15. MARKETABLE SECURITIES

	Short-Term Business Shs'000	Long-Term Business Shs'000	2003 Total Shs'000	2002 Total Shs'000
(a) Group				
At start of year	247,341	17,854	265,195	208,723
Exchange difference	(3,093)	-	(3,093)	749
Additions	94,280	-	94,280	71,446
Disposals	(74,830)	(17,635)	(92,465)	(20,882)
Fair value gains	192,182	48	192,230	5,159
At end of year	455,880	267	456,147	265,195
(b) Company				
At start of year	180,219	324	180,543	195,473
Exchange difference	2,097	-	2,097	533
Additions	78,105	-	78,105	260
Disposals	(71,191)	(105)	(71,296)	(20,882)
Fair value gains (note 8 (b))	220,511	48	220,559	5,159
At end of year	409,741	267	410,008	180,543

The ordinary shares are revalued annually at the close of business on 31st December by reference to the stock exchange quoted prices. The market value of the above shares as at 23rd April, 2004 was Shs 582,923,880 and Shs 540,522,889 for Group and Company respectively.

16. UNQUOTED ORDINARY SHARES

	Short-Term Business Shs'000	Long-Term Business Shs'000	2003 Total Shs'000	2002 Total Shs'000
(a) Group				
At start of year	107,942	-	107,942	198,665
Additions	1,646	108,478	110,124	8,085
Disposals	-	-	-	(8,029)
Transfer from/(to) investments in associates and subsidiaries	18,777	-	18,777	(68,439)
Exchange difference	(427)	-	(427)	(851)
Fair value gains/(losses) (note 8 (a))	(7,077)	76,035	68,958	(21,489)
At end of year	120,861	184,513	305,374	107,942
(b) Company				
At start of year	233,310	-	233,310	317,211
Additions	-	108,478	108,478	1,500
Transfer from/(to) investments in associates	25,362	-	25,362	(68,439)
Fair value gains/(losses) (note 8 (b))	(7,906)	76,035	68,129	(16,962)
At end of year	250,766	184,513	435,279	233,310

17. MORTGAGE LOANS

	Short-Term Business Shs'000	Long-Term Business Shs'000	2003 Total Shs'000	2002 Total Shs'000
(a) Group				
At start of year	33,384	75,465	108,849	123,320
Loans advanced	3,665	50,800	54,465	34,984
Interest and penalties (net of impairment provisions)	2,702	48,356	51,058	8,557
Redemptions/repayments	(12,119)	(83,809)	(95,928)	(58,012)
Exchange difference	(1,823)	-	(1,823)	-
At end of year	25,809	90,812	116,621	108,849
(b) Company				
At start of year	-	75,465	75,465	123,320
Loans advanced	-	50,800	50,800	1,600
Interest and penalties (net of impairment provisions)	-	48,356	48,356	8,557
Redemptions/repayments	-	(83,809)	(83,809)	(58,012)
At end of year	-	90,812	90,812	75,465

18. PREMIUM AND OTHER RECEIVABLES

	Short-Term Business Shs'000	Long-Term Business Shs'000	2003 Total Shs'000	2002 Total Shs'000
(a) Group				
Premium receivables	400,759	-	400,759	353,957
Receivables under reinsurance contracts:				
-associates	17,625	-	17,625	-
-others	106,730	3,004	109,734	138,121
Other receivables	201,948	85,127	287,075	159,667
Total	727,062	88,131	815,193	651,745

18. PREMIUM AND OTHER RECEIVABLES (CONTINUED)

	Short-Term Business Shs'000	Long-Term Business Shs'000	2003 Total Shs'000	2002 Total Shs'000
(b) Company				
Premium receivables	136,583	-	136,583	124,147
Receivables from subsidiaries	78,359	23,458	101,817	36,967
Receivables under reinsurance contracts:				
-associates	17,625	-	17,625	-
-subsidiaries	4,665	1,276	5,941	48,615
-others	77,512	3,004	80,516	86,812
Other receivables	71,013	106,384	177,397	122,216
Total	385,757	134,122	519,879	418,757

19. GOVERNMENT SECURITIES

(a) Group

	Short-Term Business Shs'000	Long-Term Business Shs'000	2003 Total Shs'000	2002 Total Shs'000
Kenya:				
Treasury bills maturing within 91 days of the date of acquisition	170,651	51,607	222,258	446,500
Treasury bills maturing after 91 days of the date of acquisition	119,230	248,183	367,413	257,790
Treasury bonds maturing after 91 days of the date of acquisition	-	1,187,068	1,187,068	1,202,053
Outside Kenya:				
Treasury bills maturing within 91 days of the date of acquisition	86,850	-	86,850	-
Treasury bills maturing after 91 days of the date of acquisition	245,940	130,543	376,483	147,616
Total	622,671	1,617,401	2,240,072	2,053,959

(b) Company

	Short-Term Business Shs'000	Long-Term Business Shs'000	2003 Total Shs'000	2002 Total Shs'000
Kenya:				
Treasury bills maturing within 91 days of the date of acquisition	170,651	51,607	222,258	446,500
Treasury bills maturing after 91 days of the date of acquisition	106,101	248,183	354,284	253,365
Treasury bonds maturing after 91 days of the date of acquisition	-	1,187,068	1,187,068	1,196,053
Outside Kenya:				
Treasury bills maturing after 91 days of the date of acquisition	88,001	13,900	101,901	7,806
Total	364,753	1,500,758	1,865,511	1,903,724

20. CASH AND CASH EQUIVALENTS

The year - end cash and cash equivalents comprise the following:	2003 Shs'000	2002 Shs'000
Cash and bank balances	86,934	78,700
Short-term deposits with banks	302,607	253,470
Bank overdraft	(35,417)	(12,485)
Treasury bills maturing within 91 days of the date of acquisition	257,501	224,934
Other commercial bonds	8,930	-
Total	620,555	544,619

21. TRADE AND OTHER PAYABLES

	Short-Term Business Shs'000	Long-Term Business Shs'000	2003 Total Shs'000	2002 Total Shs'000
(a) Group				
Payable to:				
-reinsurers	96,565	21,160	117,725	98,613
-agents/insurers	48,317	3,965	52,282	29,311
-others	328,067	39,279	367,346	283,320
Total	472,949	64,404	537,353	411,244
(b) Company				
Payable under reinsurance contracts to:				
-subsidiaries	25,832	837	26,669	-
-others	16,385	12,427	28,812	50,349
Payable to:				
-agents/insurers	25,623	2,697	28,320	19,889
-subsidiaries under current accounts	25,127	-	25,127	24,770
-others	99,883	86,196	186,079	160,832
Total	192,850	102,157	295,007	255,840

22. PROVISION FOR LIABILITIES AND CHARGES

	Short-Term Business Shs'000	Long-Term Business Shs'000	2003 Total Shs'000	2002 Total Shs'000
(a) Group				
At start of year	283	3,739	4,022	4,104
Additional provisions	1,376	-	1,376	-
Utilised during the year	-	-	-	(82)
At end of year	1,659	3,739	5,398	4,022
(b) Company				
At start of year	283	3,739	4,022	4,104
Utilised during the year	-	-	-	(82)
At end of year	283	3,739	4,022	4,022

Provision for liabilities and charges is in respect of termination benefits and business process re-engineering costs.

23. DEFERRED TAX

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2002: 30%).
The movement in the deferred income tax account is as follows:

	Short-Term Business Shs'000	Long-Term Business Shs'000	2003 Total Shs'000	2002 Total Shs'000
(a) Group				
At start of year (as previously reported)	85,947	7,266	93,213	110,750
-deferred tax on fair value gains	70,874	-	70,874	70,874
As restated	156,821	7,266	164,087	181,624
Income statement (credit)/charge (note 5)	(8,848)	(7,307)	(16,155)	(3,723)
Exchange adjustment	1,243	2	1,245	316
Deferred tax from subsidiaries on first year of consolidation	-	-	-	(14,130)
At end of year	149,216	(39)	149,177	164,087

23. DEFERRED TAX (CONTINUED)

The prior year adjustment relates to reclassification of deferred tax on leasehold land following the early adoption of International Accounting Standard 40, Investment Properties (revised 2003) during the year.

Deferred tax assets and liabilities, deferred tax charge/(credit) in the profit and loss account, Long-Term business revenue account and to the equity is attributable to the following items:

	1.1.2003 Shs'000	Charged/ (Credited) to P&L & Life revenue Shs'000	Exchange adjustment Shs'000	31.12.2003 Shs'000
Fair value gains/(losses) - investment properties	193,189	(7,273)	315	186,231
Accelerated depreciation	(6,693)	(1,680)	-	(8,373)
Provisions	(25,083)	(3,203)	-	(28,286)
Other deductible temporary differences	2,674	(3,999)	930	(395)
Net deferred tax liability	164,087	(16,155)	1,245	149,177

	Short-Term Business Shs'000	Long-Term Business Shs'000	2003 Total Shs'000	2002 Total Shs'000
(b) Company				
At start of year (as previously reported)	102,588	7,307	109,895	113,532
-deferred tax on fair value gains	70,874	-	70,874	70,874
As restated	173,462	7,307	180,769	184,406
Income statement (credit)/charge	(5,294)	(7,307)	(12,601)	(3,637)
At end of year	168,168	-	168,168	180,769

Deferred tax assets and liabilities, deferred tax charge/(credit) in the profit and loss account, Long-Term business revenue account and to the equity is attributable to the following items:

	1.1.2003 Shs'000	Charged/ (Credited) to P&L & Life revenue Shs'000	31.12.2003 Shs'000
Fair value gains/(losses) - investment properties	193,504	(7,273)	186,231
Accelerated depreciation	(9,319)	(2,054)	(11,373)
Provisions	(4,156)	(1,688)	(5,844)
Other deductible temporary differences	740	(1,586)	(846)
Net deferred tax liability	180,769	(12,601)	168,168

24. LOANS TO DIRECTORS

Group and Company	2003 Shs'000	2002 Shs'000
Loans to Directors of the Company and their families are as follows:		
At start of year	15	69
Repayments	(15)	(54)
At end of year	-	15

25. DIRECTORS' EMOLUMENTS

	As Directors 2003 Shs'000	As Management 2003 Shs'000	As Directors 2002 Shs'000	As Management 2002 Shs'000
Group				
Emoluments	1,838	28,051	1,480	35,481

26. EARNINGS PER SHARE

Earnings per ordinary share of Shs 5 each are calculated by dividing the net profit attributable to Shareholders by 36 million shares.

	2003	2002
Group		
Net profit attributable to Shareholders (Shs'000)	212,761	164,442
Number of ordinary shares in issue (thousands)	36,000	36,000
Earnings per share (Shs)-basic and diluted	5.91	4.57

There was no potentially dilutive shares in issue at 31st December, 2003 and 31st December, 2002.

27. WEIGHTED AVERAGE EFFECTIVE INTEREST RATES

Company

In the opinion of the Directors, the carrying amounts of financial assets and liabilities approximate their fair values. The following table summarises the effective interest rates on financial assets at 31st December:

	2003 %	2002 %
Government securities-Kenya	5.92	9.36
Bank deposits	6.34	8.98
Mortgage loans (upto 30th November, 2003)	20 to 24	20 to 24
Mortgage loans (from 1st December, 2003)	14 to 16	20 to 24
Life policy loans	10 to 16	10 to 16
Other commercial bonds - Kenya	-	8.72

28. DIVIDENDS PER SHARE

During the year, an interim dividend of Shs 18 million (2002: Shs 18 million) was paid. At the Annual General Meeting on 10th June, 2004, a final dividend of Shs 63 million (2002: Shs 45 million) is to be proposed bringing the total dividend to Shs 81 million for 2003 (2002: Shs 63 million) which is Shs 2.25 per share (2002: Shs 1.75 per share).

29. LIQUIDITY RISK

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 following table analyses assets and liabilities into relevant maturity groupings based on the remaining period at 31st December, 2003 to the contractual maturity date:

29. LIQUIDITY RISK (CONTINUED)

At 31st December, 2003 :	Up to 1 month Shs '000	1-3 months Shs'000	3 -12 months Shs'000	1 - 5 years Shs'000	Over 5 years Shs'000	Total Shs'000
ASSETS						
Property and equipment	-	-	-	-	45,490	45,490
Investment properties	-	-	-	-	1,931,735	1,931,735
Marketable securities	-	-	-	-	456,147	456,147
Unquoted ordinary shares	-	-	-	-	305,374	305,374
Investment in associates	-	-	-	-	905,987	905,987
Mortgage loans	1,000	1,119	635	69,964	43,903	116,621
Commercial bonds	-	8,930	-	-	-	8,930
Loans on life insurance policies	4	3,678	13,724	91,509	55,957	164,872
Government securities	28,272	360,172	1,014,644	492,229	344,755	2,240,072
Deposits with financial institutions	94,422	23,210	289,165	-	-	406,797
Premium and other receivables	774,373	40,820	-	-	-	815,193
Current tax	-	-	8,956	-	-	8,956
Cash and bank balances	286,659	-	-	-	-	286,659
Total assets	1,184,730	437,929	1,327,124	653,702	4,089,348	7,692,833
LIABILITIES AND SHAREHOLDERS' FUNDS						
Shareholders' funds	-	-	-	-	2,029,205	2,029,205
Minority interest	-	-	-	-	214,225	214,225
Long - Term business funds	-	-	-	-	3,310,325	3,310,325
Unearned premium	37,741	49,033	409,918	-	-	496,692
Outstanding claims	10,731	26,779	812,678	-	-	850,188
Trade and other payables	537,353	-	-	-	-	537,353
Current tax	-	-	6,058	-	-	6,058
Dividends	58,795	-	-	-	-	58,795
Bank overdraft	35,417	-	-	-	-	35,417
Provision for liabilities and charges	5,398	-	-	-	-	5,398
Deferred tax	-	-	-	-	149,177	149,177
Total liabilities and Shareholders' funds	685,435	75,812	1,228,654	-	5,702,932	7,692,833
Net liquidity gap	499,295	362,117	98,470	653,702	(1,613,584)	-
At 31st December, 2002 :						
Total assets	1,056,939	591,320	535,304	906,949	3,538,379	6,628,891
Total liabilities and Shareholders' funds	534,571	56,842	1,142,964	-	4,894,514	6,628,891
Net liquidity gap	522,368	534,478	(607,660)	906,949	(1,356,135)	-

The matching and controlled mismatching of the maturities of assets and liabilities is fundamental to the management of the Group. It is unusual for insurance companies to always be completely matched since the business transacted is often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

30. CURRENCY RISK

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group had the following significant foreign currency positions (all amounts expressed in Kenya Shillings thousands):

At 31st December, 2003 :	Uganda Shillings Shs '000	Tanzania Shillings Shs'000	Mauritius Rupees Shs'000	Indian Rupees Shs'000	Total Shs'000
ASSETS					
Property and equipment	6,114	9,689	3,358	2,208	21,369
Investment properties	780,300	-	-	-	780,300
Marketable securities	-	46,140	33,900	-	80,040
Unquoted ordinary shares	9,011	296	-	-	9,307
Investment in subsidiaries	16,748	-	-	-	16,748
Investment in associates	87,215	-	-	-	87,215
Mortgage loans	25,809	-	-	-	25,809
Commercial bonds	8,930	-	-	-	8,930
Government securities	262,211	112,319	88,802	-	463,332
Deposits with financial institutions	42,194	206,708	65,917	-	314,819
Premium and other receivables	244,019	121,913	92,929	5,066	463,927
Current tax	718	-	-	-	718
Cash and bank balances	30,105	45,574	10,877	1,590	88,146
Total assets	1,513,374	542,639	295,783	8,864	2,360,660
LIABILITIES AND SHAREHOLDERS' FUNDS					
Shareholders' funds	140,086	104,621	34,584	1,438	280,729
Minority interest	80,672	103,245	30,307	-	214,224
Long - Term business funds	89,175	40,456	-	-	129,631
Unearned premium	86,442	121,658	61,593	-	269,693
Outstanding claims	45,052	76,340	19,757	-	141,149
Trade and other payables	236,210	100,754	64,613	7,159	408,736
Current tax	4,246	-	-	11	4,257
Bank overdraft	-	-	2,805	-	2,805
Provision for liability and charges	-	-	1,121	256	1,377
Deferred tax	(13,516)	(4,731)	(723)	-	(18,970)
Total liabilities and Shareholders' funds	668,367	542,343	214,057	8,864	1,433,631
Net balance sheet position	845,007	296	81,726	-	927,029
At 31st December, 2002 :					
Total assets	1,201,900	425,321	178,720	12,327	1,818,268
Total liabilities and Shareholders' funds	330,926	279,187	120,212	209	730,534
Net balance sheet position	870,974	146,134	58,508	12,118	1,087,734

31. CAPITAL COMMITMENTS

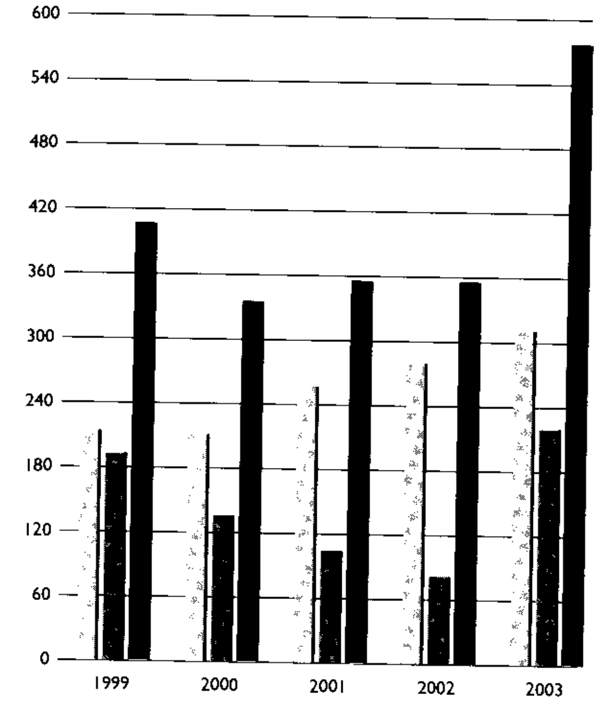
Group and Company

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statement is as follows:

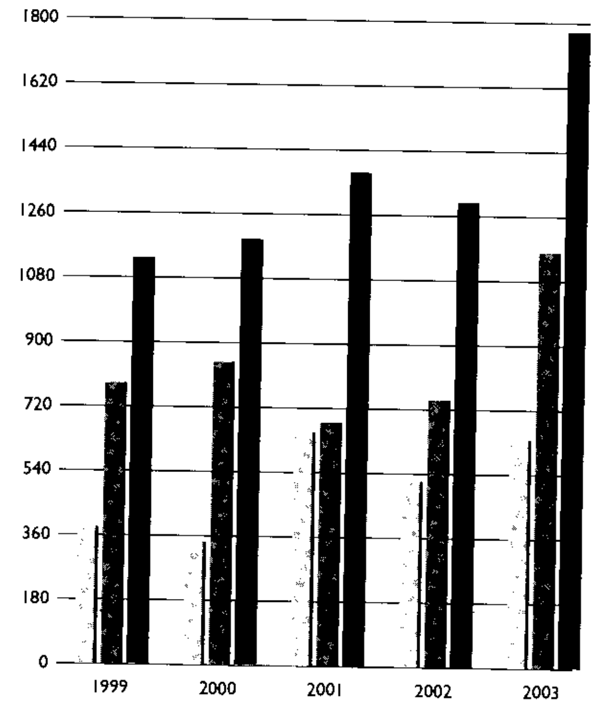
	2003 Shs'000	2002 Shs'000
Refurbishment of Jubilee Insurance Centre, Kampala	-	370
Total	-	370

GROUP FINANCIAL HIGHLIGHTS
(Shhs million)

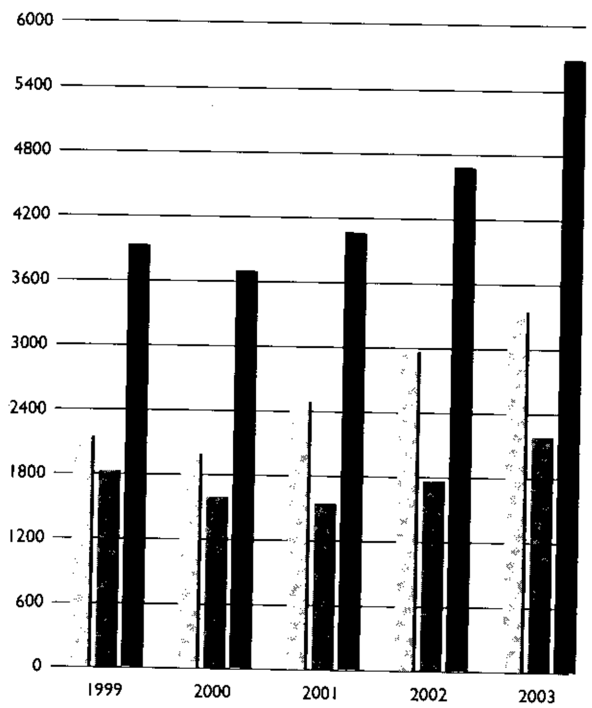
Investment Income



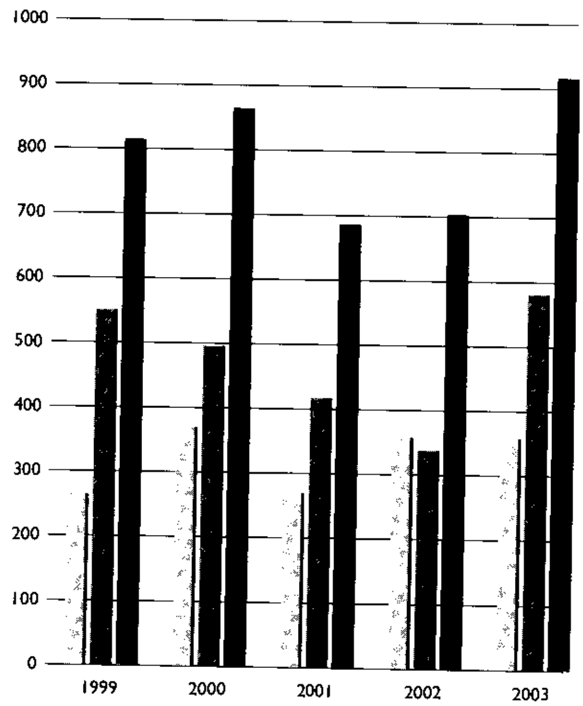
Net Premium Income



Net Assets



Net Claims Incurred



Long-Term   Short-Term   Total

GROUP REVIEW - TEN YEARS

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
	Shs million									
Shareholders' Funds	2,029	1,711	1,555	1,619	1,809	1,804	1,374	1,189	1,141	951
Share Capital	180	180	180	180	180	180	150	150	125	125
Long-Term Business Funds	3,310	2,812	2,474	2,018	2,117	2,043	1,839	1,461	1,225	1,029
Total Assets	7,693	6,629	5,649	5,201	5,308	5,020	4,390	3,523	3,123	2,693
Total Investment Income	552	359	359	355	418	492	415	302	226	195
Profit Before Tax	306	213	170	117	139	206	192	163	126	110
Profit Attributable to Shareholders	213	164	121	78	94	144	134	94	81	65
Dividends to Shareholders	81	63	63	63	63	63	53	53**	44	44
Dividend Cover Ratio	2.63	2.61	1.92	1.24	1.50	2.28	2.56	1.57	1.86	1.49
Bonus Issue	-	-	-	-	-	1:5	-	1:5	-	1:4
* Earnings Per Share (Shs) (par value Shs 5)	5.91	4.57	3.37	2.17	2.62	4.00	3.73	2.62	2.26	1.81

* Earnings per share has been calculated on 36 million shares for all the years.

** Does not include the special additional dividend of Shs 7.5 million in commemoration of the Company's 60th anniversary.

NOTES

PROXY FORM

The Jubilee Insurance Company Limited

INCORPORATED IN KENYA, ESTABLISHED 1937

I/We ____

of ____

being a member/members of The Jubilee Insurance Company Limited, hereby appoint ________________

____

of ____

and failing him, ____

of ____

and failing him, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Thursday 10th June, 2004 at 10.30 a.m. and at any adjournment thereof.

As witnessed my/our hand this ________________ day of ____________________ 2004.

____

Member

Important Notes:

1. If you are unable to attend this meeting personally, this proxy form should be completed and returned to The Company Secretary, P O Box 30376, 00100 - GPO, Nairobi, Kenya so as to reach not later than 48 hours before the time appointed for holding the meeting.
2. A person appointed to act as a proxy need not be a member of the Company.
3. If the appointer is a Corporation, this proxy form must be executed under seal or under the hand of an officer or attorney duly authorised in writing on its behalf.

FOLD 2

STAMP

The Company Secretary
The Jubilee Insurance Company Limited
P O Box 30376, 00100 - GPO
NAIROBI
KENYA

FOLD 1

FOLD 3

INSERT FLAP INSIDE