



Financial Statements
for the year ended 31 December 2007

Consolidated Profit and Loss Account

	Notes	2007 Shs '000	2006 Shs '000
Gross earned premium	6	4,227,598	3,484,366
Outward reinsurance	6	(1,166,067)	(964,098)
Net insurance premium revenue	6	3,061,531	2,520,268
Investment income	7	1,533,700	1,288,637
Fair value (losses) / gains on equity investments at fair value through profit and loss	19(a) & 20(a)	(45,896)	429,960
Commission earned		263,314	222,963
Negative goodwill on acquisition of minority shares in a subsidiary			2,744
Other income		24,004	-
Total income		4,836,653	4,464,572
Claims and policyholder benefits payable	8	3,062,265	3,220,163
Insurance claims recoverable from reinsurers	8	(439,906)	(650,827)
Net insurance benefits and claims	8	2,622,359	2,569,336
Operating and other expenses	9	958,504	914,006
Commission payable		484,800	448,167
Total expenses		1,443,304	1,362,173
Result of operating activities		770,990	533,063
Share of result of associates		38,576	109,663
Group profit before income tax		809,566	642,726
Income tax expense	11	(146,495)	(83,211)
Profit for the year		663,071	559,515
Attributable to:			
Equityholders of the Company		616,846	527,981
Minority interest		46,225	31,534
Total		663,071	559,515
Earnings per share attributable to the equityholders of the Company			
Basic and diluted	27	13.71	11.73
Dividends:			
Interim - paid	32	45,000	36,000
Final - proposed	32	146,250	117,000
Total		191,250	153,000

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Consolidated Balance Sheet

	Notes	2007 Shs'000	2006 Shs'000
CAPITAL AND RESERVES ATTRIBUTABLE TO THE COMPANY'S EQUITYHOLDERS			
Share capital	12	225,000	180,000
Fair value reserves	13(a)	622,757	849,532
General reserves	13(a)	70,000	70,000
Translation reserves	13(a)	(70,529)	(55,818)
Retained earnings		2,612,923	2,232,326
Proposed dividends	32	146,250	117,000
Sub totals		3,606,401	3,393,040
Minority interest		256,371	223,224
Total equity		3,862,772	3,616,264
REPRESENTED BY:			
ASSETS			
Property and equipment	17	54,082	76,510
Investment properties	18(a)	1,946,014	1,944,790
Financial assets			
Investment in associates	15(i)(a)	1,850,145	1,012,347
Unquoted shares	20(a)	1,076,079	671,650
Quoted shares	19(a)	3,869,379	3,281,868
Mortgage loans	21(i)(a)	82,608	45,241
Commercial bonds		21,717	493,461
Loans on life insurance policies	21(ii)(a)	182,582	177,443
Government securities held to maturity	24	3,775,509	3,423,348
Deposits with financial institutions		1,784,078	1,601,017
Other assets			
Receivables arising out of reinsurance arrangements		375,465	237,379
Receivables arising out of direct insurance arrangements		826,848	653,250
Reinsurers' share of technical provisions and reserves	22	1,255,875	1,217,725
Deferred acquisition costs	23	42,387	48,518
Other receivables		258,469	313,661
Deferred income tax	26(a)	19,820	14,254
Current income tax		88,649	17,871
Cash and bank balances		432,756	126,042
Total assets		17,942,462	15,356,375
LIABILITIES			
Insurance contract liabilities	29	5,063,578	4,643,309
Payable under deposit administration contracts	14	4,901,386	3,886,895
Provisions for unearned premium	31	1,718,880	1,284,865
Creditors arising out of reinsurance arrangements		574,588	201,647
Other payables		502,860	662,409
Deferred income tax	26(a)	178,119	170,889
Current income tax payable		72,839	5,327
Dividends payable		69,515	59,068
Bank overdraft	34	22,037	22,042
Borrowings	34	975,888	803,660
Total liabilities		14,079,690	11,740,111
Net assets		3,862,772	3,616,264

The financial statements on pages 18 to 69 were approved by the Board of Directors on 25th March, 2008 and signed on its behalf by:

Nizar N Juma
Chairman

Juma Kisaame
Director



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Company Balance Sheet

	Notes	2007 Shs'000	2006 Shs'000
CAPITAL EMPLOYED			
Share capital	12	225,000	180,000
Fair value reserves	13(b)	522,534	390,118
General reserves	13(b)	70,000	70,000
Retained earnings	13(b)	1,309,695	1,308,739
Proposed dividends	32	146,250	117,000
Shareholders' funds		2,273,479	2,065,857
REPRESENTED BY:			
ASSETS			
Investment properties	18(b)	750,000	730,000
Financial assets			
Investment in subsidiaries	15(ii)	670,584	670,584
Investment in associates	20(b)	365,999	-
Unquoted shares	20(b)	443,381	438,065
Quoted shares	19(b)	602,119	243,363
Commercial bonds		-	140,381
Deposits with financial institutions		4,974	600,129
Other assets			
Other receivables		9	550,388
Group balances		174,060	-
Current income tax		16,715	537
Cash and bank balances		2,007	1,378
Total assets		3,029,848	3,374,825
LIABILITIES			
Other payables		4,847	6,948
Due to related parties		534,710	325,609
Deferred income tax	26(b)	119,683	113,683
Current Tax		27,598	-
Dividends payable		69,515	59,068
Bank overdraft	34	16	-
Borrowings	34	-	803,660
Total liabilities		756,369	1,308,968
Net Assets		2,273,479	2,065,857

The financial statements on pages 18 to 69 were approved by the Board of Directors on 25th March, 2008 and signed on its behalf by:

Nizar N Juma
Chairman

Juma Kisaame
Director

Consolidated Statement of Changes in Equity

Attributable to Equityholders of the Company

	Notes	Share Capital Shs '000	Fair Value Reserves Shs '000	General Reserves Shs '000	Translation Reserves Shs '000	Retained Earnings Shs '000	Proposed Dividends Shs '000	Minority Interest Shs '000	TOTAL Shs '000
Year ended 31 December 2006									
At start of year		180,000	222,919	70,000	(43,920)	1,824,418	117,000	258,211	2,628,628
Acquisition of minority interest in a subsidiary		-	-	-	-	-	-	(51,454)	(51,454)
Fair value gain on available-for-sale financial assets	13(a)	-	626,613	-	-	-	-	-	626,613
Translation loss (net)	13(a)	-	-	-	(11,898)	-	-	-	(11,898)
Share of reserves of subsidiary	13(a)	-	-	-	-	-	-	(15,067)	(15,067)
Write back of unclaimed dividends *		-	-	-	-	32,927	-	-	32,927
Profit for the year		-	-	-	-	527,981	-	31,534	559,515
Dividends: - Final for 2005 paid	32	-	-	-	-	-	(117,000)	-	(117,000)
- Interim for 2006 paid	32	-	-	-	-	(36,000)	-	-	(36,000)
- Final for 2006 proposed	32	-	-	-	-	(117,000)	117,000	-	-
At end of year		180,000	849,532	70,000	(55,818)	2,232,326	117,000	223,224	3,616,264
Year ended 31 December 2007									
At start of year		180,000	849,532	70,000	(55,818)	2,232,326	117,000	223,224	3,616,264
Bonus shares issued		45,000	-	-	-	(45,000)	-	-	-
Fair value gain on available-for-sale financial assets	13(a)	-	(226,775)	-	-	-	-	-	(226,775)
Translation loss (net)	13(a)	-	-	-	(14,711)	-	-	-	(14,711)
Share of reserves of subsidiaries		-	-	-	-	-	-	(13,078)	(13,078)
Profit for the year		-	-	-	-	616,846	-	46,225	663,072
Dividends: - Final for 2006 paid	32	-	-	-	-	-	(117,000)	-	(117,000)
- Interim for 2007 paid	32	-	-	-	-	(45,000)	-	-	(45,000)
- Final for 2007 proposed	32	-	-	-	-	(146,250)	146,250	-	-
At end of year		225,000	622,757	70,000	(70,529)	2,612,923	146,250	256,371	3,862,772

* Dividend that had remained unclaimed for over six years as at 18th December, 2006 were written back to retained earnings in line with the Company's Articles of Association.

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Company Statement of Changes in Equity

	Notes	Share Capital Shs'000	Fair Value Reserves Shs'000	General Reserves Shs'000	Retained Earnings Shs'000	Proposed Dividends Shs'000	Total Shs'000
Year ended 31 December, 2006							
At start of year		180,000	227,643	70,000	1,276,824	117,000	1,871,467
Fair value gain on available-for-sale financial assets	13(b)	-	162,475	-	-	-	162,475
Write back of unclaimed dividends *	13(b)	-	-	-	32,927	-	32,927
Profit for the year		-	-	-	151,988	-	151,988
Dividends: - Final for 2005 paid	32	-	-	-	-	(117,000)	(117,000)
- Interim for 2006 paid	32	-	-	-	(36,000)	-	(36,000)
- Final for 2006 proposed	32	-	-	-	(117,000)	117,000	-
At end of year		180,000	390,118	70,000	1,308,739	117,000	2,065,857
Year ended 31 December, 2007							
At start of year		180,000	390,118	70,000	1,308,739	117,000	2,065,857
Bonus share issued		45,000	-	-	(45,000)	-	-
Revaluation surplus - Quoted shares	13(b)	-	95,248	-	-	-	95,248
Revaluation gains - unquoted Shares	13(b)	-	37,168	-	-	-	37,168
Profit for the year		-	-	-	237,206	-	237,206
Dividends: - Final for 2006 paid	32	-	-	-	-	(117,000)	(117,000)
- Interim for 2007 paid	32	-	-	-	(45,000)	-	(45,000)
- Final for 2007 proposed	32	-	-	-	(146,250)	146,250	-
At end of year		225,000	522,534	70,000	1,309,695	146,250	2,273,479

* Dividend that had remained unclaimed for over six years as at 18th December, 2006 were written back to retained earnings in line with the Company's Articles of Association.



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Consolidated Cash Flow Statement

	Notes	2007 Shs'000	2006 Shs'000
Cash flow from operating activities			
Profit before income tax		809,566	642,726
Adjustments for: -			
Depreciation	17	26,541	32,290
Net inflows from deposit administration contracts		1,014,491	845,636
Change in insurance contract liabilities and reserves		854,283	678,243
Investment income		(1,533,700)	(1,288,637)
Share of result of associates after income tax	15(i)(b)	(38,576)	(109,663)
Negative goodwill on acquisition of minority shares in a subsidiary		-	(2,744)
Operating profit before working capital changes		1,132,605	797,851
Increase in premium, reinsurance and other receivables		(288,511)	(35,452)
(Decrease) / increase in reinsurance and other payables		223,840	(410,203)
Cash generated from operations		1,067,934	352,196
Income tax paid		(148,097)	(80,402)
Net cash inflow from operating activities		919,837	271,794
Cash flow from investing activities			
Investment income		1,071,989	749,586
Dividends received from associates	15(i)(b)	21,888	34,690
Proceeds from sale of quoted shares		2,464,137	2,049,357
Proceeds from disposal of property and equipment		4,238	-
Proceeds from disposal of associate		221,354	-
Purchase of property and equipment	17	(9,673)	(42,348)
Additions of investment properties	18(a)	-	(44,825)
Proceeds from disposal of investment properties		56,191	-
Purchase of quoted shares	19(a)	(3,022,225)	(2,237,955)
Net purchase of unquoted shares	20(a)	(282,983)	(10,447)
Additional investment in subsidiary		-	(48,709)
Additional investment in associate		(960,928)	-
Net mortgage loans redeemed		(37,605)	9,755
Net loans on life insurance policies (advanced) / redeemed		(5,139)	(13,545)
Net addition of government securities maturing after 91 days of date of acquisition		(357,150)	(221,174)
Net proceeds/(addition) of commercial bonds		471,744	(124,585)
Net cash (outflow)/inflow from investing activities		(364,161)	99,800
Cash flow from financing activities			
Short-Term borrowings		975,887	-
Dividends paid		(162,000)	(135,322)
Net cash outflow from financing activities		813,887	(135,322)
Increase in cash and cash equivalents		1,369,563	236,272
Cash and cash equivalents at start of year	25	966,073	775,922
Exchange loss on translation of cash and cash equivalents in foreign currencies		(81,112)	(46,121)
Cash and cash equivalents at end of year	25	2,254,524	966,073



Independent Kenya's first cabinet - 1963

Financial Statements
for the year ended 31 December 2007

Notes

1. GENERAL INFORMATION

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

The Company through its subsidiaries (together forming the Group) underwrites Life and non-life insurance risks, such as those associated with death, disability, health, property and liability. The Group also issues a diversified portfolio of investment contracts to provide its customers with asset management solutions for their savings and retirement needs. All these products are offered to both domestic and foreign markets. It has operations in Kenya, Uganda, Tanzania and Mauritius and employs over 300 people through its subsidiaries.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (Shs), rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Adoption of new and revised standards

In 2007, the following new and revised standards and interpretations became effective for the first time and have been adopted by the Group where relevant to its operations. The comparative figures have been restated as required, in accordance with the relevant requirements.

- IAS 1 Amendment, Capital Disclosures. The amendment to IAS 1 introduces disclosures about the level of the Group's capital and how it manages capital

- IFRS 7, Financial Instruments: Disclosures. IFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification or measurement of the Group's financial instruments

Standards, interpretations and amendments to published standards that are not yet effective

The following amendment to an existing standard and new standard and interpretations will be mandatory for the Group's accounting periods beginning on or after 1 January 2008, but which the Group has not early adopted



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Notes (Continued)

2.1 BASIS OF PREPARATION (Continued)

IFRIC 11 – Company and Treasury Share Transactions – from 1 January 2008

IFRIC 12 – Service Concession Arrangements – from 1 January 2008

IFRS 8 – Operating Segments – from 1 January 2009

IAS 23 – Borrowing Costs (revised) – from 1 January 2009.

The Directors have assessed the relevance of these amendments and interpretations with respect to the Group's operations and concluded that they are not relevant to the Group, other than IFRS 8, which will result in changes to the reportable segments and the information disclosed in respect of those segments.

2.2 CONSOLIDATION

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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

(b) Investment in Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost.

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

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

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Notes (Continued)

2.2 CONSOLIDATION (Continued)

c) Functional currency and translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency of the respective entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account. Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in the available-for-sale reserve in equity.

(iii) Consolidation of group entities

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

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- (ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the profit and loss account as part of the gain or loss on sale.

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

2.3 SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments

2.4 INSURANCE CONTRACTS

(a) Classification

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



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Notes (Continued)

2.4 INSURANCE CONTRACTS (Continued)

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. See accounting policy for these contracts under Note 2.5.

Insurance contracts and investment contracts are classified into two main categories, depending on the duration of risk and as per the provisions of the Insurance Act.

(i) long-term insurance business

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

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

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

(ii) general insurance business

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

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

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

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

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

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

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Notes (Continued)

2.4 INSURANCE CONTRACTS (Continued)

(b) Recognition and measurement

I. Premium income

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

For general insurance business, Premium income is recognised on assumption of risks, and includes estimates of premiums due but not yet received, less an allowance for cancellations, and less unearned premium. Unearned premiums represent the proportion of the premiums written in periods up to the accounting date that relates to the unexpired terms of policies in force at the balance sheet date, and is computed using the 24ths method. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

II. Claims

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

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

Where insurance contracts have a single premium or a limited number of premium payments due over a significantly shorter period than the period during which benefits are provided, the excess of the premiums payable over the valuation premiums is deferred and recognised as income in line with the decrease of unexpired insurance risk of the contracts in-force or, for annuities in force, in line with the decrease of the amount of future benefits expected to be paid.

The liabilities are recalculated at each balance sheet date using the assumptions established at inception of the contracts.

For general insurance business, claims incurred comprise claims paid in the year and changes in the provision for outstanding claims. Claims paid represent all payments made during the year, whether arising from events during that or earlier years. Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the 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"). Outstanding claims are not discounted.

III. Commissions payable and deferred acquisition costs ("DAC")

A proportion of commissions payable is deferred and amortised over the period in which the related premium is earned. Deferred acquisition costs represent a proportion of acquisition costs that relate to policies that are in force at the year end.

IV. Liability adequacy test

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



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Notes (Continued)

2.4 INSURANCE CONTRACTS (Continued)

As set out in (a) above, long-term insurance contracts are measured based on assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

V. Reinsurance contracts held

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

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

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

VI. Receivables and payables related to insurance contracts and investment contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets.

VII. Salvage and subrogation reimbursements

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

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

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

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Notes (Continued)

2.5 INVESTMENT CONTRACTS

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

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

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

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

2.6 PROPERTY AND EQUIPMENT

All categories of property and equipment are initially recorded at cost. All other property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

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

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

An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see 1(i) below)



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for the year ended 31 December 2007

Notes (Continued)

2.6 PROPERTY AND EQUIPMENT (Continued)

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

2.7 INVESTMENT PROPERTY

Buildings, or part of a building, (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation and are not occupied by the Group are classified as investment property. Investment property is carried at fair value, representing open market value determined annually by external valuers. Changes in fair values are included in other operating income in the profit and loss account

2.8 INTANGIBLE ASSETS

(i) Goodwill

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

(ii) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years)

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding three years)

2.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date

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Notes (Continued)

2.10 FINANCIAL ASSETS

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates such designation at every reporting date

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if so classifying eliminates or significantly reduces a measurement inconsistency. Derivatives are also categorised as held for trading. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than: (a) those classified as held for trading and those that the Company on initial recognition designates as at fair value through profit and loss; (b) those that the Group upon initial recognition designates as available-for-sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in receivables and prepayments in the balance sheet .

iii) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the Group to sell more than an insignificant amount of held-to-maturity assets, the entire category would have to be reclassified as available for sale.

iv) Available-for-sale financial assets

Available-for-sale assets are those 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, exchange rates, or equity prices

Regular way purchases and sales of financial assets at fair value through profit or loss, held-to-maturity and available-for-sale are recognised on trade-date – the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus, for all financial assets except those carried at fair value through profit or loss, transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Loans, advances and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method. Available-for-sale financial assets and financial assets at fair value through profit or loss are carried at fair value. Gains and losses arising from changes in the fair value of 'financial assets at fair value through profit or loss' are included in the profit and loss account in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the profit or loss account. However, interest calculated using the effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the company's right to receive payment is established.



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Notes (Continued)

2.10 FINANCIAL ASSETS (Continued)

Fair values of quoted investments in active markets are based on current bid prices. Fair values for unlisted equity securities are estimated using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment

2.11 IMPAIRMENT OF FINANCIAL ASSETS

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

- a) significant financial difficulty of the borrower;
- b) a breach of contract, such as default or delinquency in interest or principal repayments;
- c) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the Group would not otherwise consider;
- d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- e) the disappearance of an active market for that financial asset because of financial difficulties; or
- f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - adverse changes in the payment status of borrowers in the group; or
 - national or local economic conditions that correlate with defaults on the assets in the group.

The estimated period between a loss occurring and its identification is determined by management for each identified portfolio. In general, the periods used vary between 1 months to 12 months

2.12 ACCOUNTING FOR LEASES

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

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

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for the year ended 31 December 2007

Notes (Continued)

2.13 CASH AND CASH EQUIVALENTS

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

2.14 EMPLOYEE BENEFITS

(i) Retirement benefit obligations

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

The assets of all schemes are held in separate trustee administered funds, which are funded by contributions from both the Group and employees. The Group and all its employees also contribute to the appropriate National Social Security Fund, which are defined contribution schemes.

The Group's contributions to the defined contribution schemes are charged to the profit and loss account in the year to which they relate.

(ii) Other entitlements

Employee entitlements to long service awards are recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the balance sheet date

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

2.15 INCOME TAX

Income tax expense is the aggregate of the charge to the profit and loss account in respect of current income tax and deferred income tax. Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax liability is settled

Deferred income 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 utilized

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future



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for the year ended 31 December 2007

Notes (Continued)

2.16 BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date

2.17 DIVIDENDS

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

(I) Critical accounting estimates and assumptions

Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These include the use of recent arm's length transactions and reference to other instruments that are substantially the same.

Insurance contracts

The estimation of future benefit payments from long-term insurance contracts is the Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims. Note 30 contains further details on this process.

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

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Notes (Continued)

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

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

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

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

Income tax

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

(II) Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, management has made judgements in determining:

- the classification of financial assets and leases
- whether land and buildings meet the criteria to be classified as investment property
- whether assets are impaired

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK.

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

This section summarises the way the Group manages key risks:

Insurance risk

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



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Notes (Continued)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

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

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

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

The following tables disclose the concentration of insurance business by the class in which the contract holder operates and by the maximum insured loss limit included in the terms of the policy. The amounts are the maximum insured losses (gross and net of reinsurance) under existing insurance contracts.

Group

Year ended 31 December 2007		Maximum insured loss				Total
Class of business						
General Insurance business		Shs 0 m- shs 15m Shs '000	Shs 15m- shs 250m Shs '000	Shs 250m- shs 1000m Shs '000	Shs 1000m + Shs '000	Shs '000
Motor	Gross	12,689,023	22,200	-	-	12,711,223
	Net	6,535,766	22,200	-	-	6,557,966
Fire	Gross	14,095,569	31,239,354	43,911,063	49,426,531	138,672,517
	Net	11,042,391	16,022,995	3,538,625	3,459,047	34,063,058
Personal accident	Gross	1,233,930,402	6,084,511	-	-	1,240,014,913
	Net	1,599,725	803,984	-	-	2,403,709
Other	Gross	25,547,329	27,652,960	32,413,682	14,111,898	99,725,869
	Net	12,877,414	11,115,770	3,199,599	3,256,664	30,449,447
Life assurance business						
Ordinary life	Gross	3,578,441	75,000	-	-	3,653,441
	Net	2,795,780	-	-	-	2,795,780
Group life	Gross	30,361,040	602,044	-	-	30,963,084
	Net	8,246,302	15,000	-	-	8,261,302
Total	Gross	1,320,201,804	65,676,069	76,324,745	63,538,429	1,525,741,047
	Net	43,097,378	27,979,949	6,738,224	6,715,711	84,531,262

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Notes (Continued)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

Financial risk

The Group is exposed to financial risk through its financial assets, financial liabilities (investment contracts and borrowings), reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are interest rate risk, equity price risk, currency risk and credit risk.

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

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

Market risk

i) Foreign exchange risk

Group

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Currency exposure arising from the net assets of foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

At 31 December 2007, if the Shilling had weakened/strengthened by 1% against the US dollar with all other variables held constant, consolidated post tax profit for the year would have been Shs 5.8 million (2006: Shs 5.7 million) higher/lower, mainly as a result of US dollar receivables and bank balances.

Company

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Currency exposure arising from the net assets of foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

Currency exposure arising from the net assets of foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.



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Notes (Continued)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

At 31 December 2007, if the Shilling had weakened/strengthened by 1% against the US dollar with all other variables held constant, consolidated post tax profit for the year would not be materially affected (2006: Shs 1.4 million higher/lower).

ii) Price risk

Group

The Group is exposed to equity securities price risk because of investments in quoted and unquoted shares classified either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity and debt securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with limits set by the Group. All quoted shares held by the Group are traded on the Nairobi Stock Exchange (NSE).

At 31 December 2007, if the NSE Index had increased/decreased by 1% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation to the index, consolidated post tax profit for the year would have been Shs 13.1 million higher/lower and equity would have been Shs 24.6 million higher/lower.

Company

The company is exposed to equity securities price risk because of investments in quoted and unquoted shares classified either as available-for-sale or at fair value through profit or loss. The company is not exposed to commodity price risk. To manage its price risk arising from investments in equity and debt securities, the company diversifies its portfolio. Diversification of the portfolio is done in accordance with limits set by the company. All quoted shares held by the company are traded on the Nairobi Stock Exchange (NSE).

At 31 December 2007, if the NSE Index had increased/decreased by 1% with all other variables held constant and all the company's equity instruments moved according to the historical correlation to the index, post tax profit for the year and equity would not have been materially affected.

(iii) Cash flow and fair value interest rate risk

Group

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

The Group's fixed interest rate financial instruments are government securities, deposits with financial institutions and borrowings. These are held to maturity thus do not expose the Group to interest rate risk.

For liabilities under long-term insurance contracts with fixed and guaranteed terms, changes in interest rate will not cause a change to the amount of the liability, unless the change is severe enough to trigger a liability adequacy test adjustment. The level of the reduction of the level of interest rate that will trigger an adjustment is an interest rate is not expected to vary much from that of the company.

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

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Notes (Continued)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

Company

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

The company's fixed interest rate financial instruments are deposits with financial institutions. These are held to maturity thus do not expose the Company to interest rate risk.

For liabilities under long-term insurance contracts with fixed and guaranteed terms, changes in interest rate will not cause a change to the amount of the liability, unless the change is severe enough to trigger a liability adequacy test adjustment. The level of the reduction of the level of interest rate that will trigger an adjustment is an interest rate of 0.50% (2006: 3.57 %). An additional liability of Shs 160 million (2006: Shs105 million) would be required as a result of a further reduction of 100 basis points in the level of interest rate.

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

Credit risk

Group

Credit risk is managed on individual entity basis. Credit risk arises from cash and cash equivalents, derivative financial instruments, corporate bonds and deposits with banks, as well as trade and other receivables. Neither the Group nor the Company has any significant concentrations of credit risk. Respective managements teams assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored

The amount that best represents the Group's and Company's maximum exposure to credit risk at 31 December 2007 is made up as follows

Maximum exposure to credit risk before collateral held	Group		Company	
	2007 Shs '000	2006 Shs '000	2007 Shs '000	2006 Shs '000
Other receivables	258,469	313,661	9	550,388
Receivables arising out of reinsurance arrangements	375,465	237,379	-	-
Receivables arising out of direct insurance arrangements	826,848	653,250	-	-
Reinsurers' share of insurance liabilities	1,255,875	1,217,725	-	-
Government securities held to maturity	3,775,509	3,423,348	-	-
Commercial bond	21,717	493,461	-	140,381
Bank balance	432,756	126,042	2,007	1,378
Loans on life insurance policies	182,582	177,443	-	-
Mortgage loans	82,608	45,241	-	-
Deposits with financial institutions	1,784,078	1,601,017	4,974	600,129
Totals	8,995,907	8,288,567	6,990	1,292,276



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Notes (Continued)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

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

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

- receivables arising out of direct insurance arrangements (which are due within 60 days of the end of the month in which they are invoiced expect those related to Motor and Fire Insurance policies which are due on inception of insurance cover):
- receivables arising out of reinsurance arrangements

Financial assets that are past due or impaired

Receivables arising out of direct insurance arrangements are summarised as follows:

	2007	Group 2006
	Shs '000	Shs '000
Neither past due nor impaired	55,981	29,425
Past due but not impaired	716,663	562,066
Impaired	144,439	130,050
Gross	917,083	721,541
Allowance for impairment	(90,235)	(68,291)
Net	826,848	653,250

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

	2007	Group 2006
	Shs '000	Shs '000
Past due but not impaired:		
- by up to 30 days	60,474	92,542
- by 31 to 60 days	41,097	2,144
- by 61 to 150 days	443,376	359,619
- by 151 to 360 days	171,716	107,761
Total past due but not impaired	716,663	562,066

All receivables past due by more than 360 days are considered to be impaired, and are carried at their estimated recoverable value.

There is no concentration of credit risk with respect to mortgage and policy loans.

Receivables arising out of direct insurance arrangements individually impaired

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

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for the year ended 31 December 2007

Notes (Continued)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

Group

	2007 Shs '000	2006 Shs '000
Individually assessed impaired receivables		
- brokers	64,743	69,603
- agents	27,595	20,473
- insurance companies	5,794	5,447
- direct clients	46,307	34,527
Total	144,439	130,050

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Treasury maintains flexibility in funding by maintaining availability under committed credit lines. Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow.

The table below analyses the Group's and the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant. All figures are in thousands of Kenya Shillings.

Group

	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	2007 Total
As at 31st December, 2007:	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
LIABILITIES						
Insurance contract liabilities	278,397	144,650	1,283,141	-	3,357,390	5,063,578
Payable under deposit administration contracts	-	-	-	-	4,901,386	4,901,386
Creditors arising out of reinsurance arrangements	52,992	186,943	334,653	-	-	574,588
Other payables	-	7,905	494,242	-	713	502,860
Dividends payable	-	-	69,515	-	-	69,515
Current income tax payable	39,976	2,499	30,364	-	-	72,839
Bank overdraft	22,037	-	-	-	-	22,037
Borrowings	-	-	-	975,888	-	975,888
Total liabilities	393,402	341,997	2,211,915	975,888	8,259,489	12,182,690



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for the year ended 31 December 2007

Notes (Continued)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

Group

	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	2007 Total
As at 31st December, 2006:	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
LIABILITIES						
Insurance contract liabilities	120,954	275,431	1,639,093	-	2,607,831	4,643,309
Payable under deposit administration contracts	-	-	-	-	3,886,895	3,886,895
Creditors arising out of reinsurance arrangements	-	201,647	-	-	-	201,647
Other payables	662,409	-	-	-	-	662,409
Current income tax payable	-	-	5,327	-	-	5,327
Dividends payable	59,068	-	-	-	-	59,068
Bank overdraft	22,042	-	-	-	-	22,042
Borrowings	803,660	-	-	-	-	803,660
Total liabilities	1,668,133	477,078	1,644,420	-	6,494,726	10,284,357

Company

	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	2007 Total
As at 31 December 2007:	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
LIABILITIES						
Other payables	4,847	-	-	-	-	4,847
Due to related parties	534,709	-	-	-	-	534,709
Dividends payable	-	-	69,515	-	-	69,515
Current income tax payable	-	-	27,598	-	-	27,598
Bank overdraft	16	-	-	-	-	16
Total liabilities	539,572	-	97,113	-	-	636,685

	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	2007 Total
As at 31 December 2006:	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
LIABILITIES						
Other payables	-	-	6,949	-	-	6,949
Due to related parties	-	-	325,608	-	-	325,608
Dividends payable	59,068	-	-	-	-	59,068
Borrowings	-	-	803,660	-	-	803,660
Total liabilities	59,068	-	1,136,217	-	-	1,195,285

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for the year ended 31 December 2007

Notes (Continued)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

Fair values of financial assets and liabilities

The fair value of held-to-maturity investment securities at 31 December 2007 is estimated at Shs 3.4 billion (2006: Shs 3.1 billion) compared to their carrying value of Shs 3.9 billion (2006: Shs 3.3 billion). The fair values of the Company's other financial assets and liabilities approximate the respective carrying amounts, due to the generally short periods to contractual repricing or maturity dates as set out above. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that directors expect would be available to the Company at the balance sheet date.

Capital risk management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the balance sheets, are:

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

The Insurance Act requires each Kenyan insurance company to hold the minimum level of paid up capital as follows;

- Composite insurance companies Shs 150 million ;
- General insurance business companies Shs 100 million and
- Long term insurance business companies Shs 50 million

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

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

During the year the principal subsidiary Jubilee Insurance Company of Kenya Limited, held the minimum paid up capital required as well as met the required solvency margins.



Financial Statements
for the year ended 31 December 2007

Notes (Continued)

5. SEGMENT INFORMATION

Primary reporting format –business segments

The gross earned premium income of the Group can be analysed between the main classes of business, general insurance and life assurance, as shown below:

	2007 Shs '000	2006 Shs '000
Short-Term insurance business:		
Motor	923,905	885,716
Fire	501,087	459,253
Personal accident and medical	1,363,085	1,084,005
Others	683,401	582,820
Total Short-Term insurance business	3,471,478	3,011,794
Long-Term insurance business:		
Ordinary life	285,539	254,198
Other	470,581	218,374
Total Long-Term assurance	756,120	472,572
Total Short-Term and Long-Term business	4,227,598	3,484,366

The segment results for the year ended 31 December 2007 are as follows

	Short-Term Business Shs '000	Long-Term Business Shs '000	Others Shs '000	Total Shs '000
Gross insurance premium revenue	3,471,478	756,120	-	4,227,598
Insurance premium ceded to reinsurers	(1,053,091)	(112,976)	-	(1,166,067)
Investment income and gains	387,330	734,130	390,348	1,511,808
Other income - Commission earned	255,354	7,960	-	263,314
Income net of reinsurance ceded	3,061,071	1,385,235	390,347	4,836,653
Gross benefits and claims from insurance contracts	2,068,310	993,955	-	3,062,265
Insurance benefits and claims recovered from reinsurers	(407,084)	(32,822)	-	(439,906)
Other expenses	960,628	324,102	158,573	1,443,304
Expenses	2,621,854	1,285,235	158,573	4,065,663
Results of operating activities	439,216	100,000	231,774	770,990
Share of profit of associates	-	-	38,576	38,576
Profit Before Tax	439,216	100,000	270,350	809,566
Income tax expense	56,535	30,000	59,960	146,495
Profit for the year	382,681	70,000	210,390	663,071

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for the year ended 31 December 2007

Notes (Continued)

5. SEGMENT INFORMATION (Continued)

The segment results for the year ended 31 December 2006 are as follows:

	Short-Term Business Shs '000	Long-Term Business Shs '000	Others Shs '000	Total Shs '000
Gross insurance premium revenue	3,011,794	472,572	-	3,484,366
Insurance premium ceded to reinsurers	(919,757)	(44,341)	-	(964,098)
Negative goodwill on acquisition of minority shares in a subsidiary	-	-	2,744	2,744
Investment income and gains	471,275	1,061,699	185,623	1,718,597
Other income - Commission earned	222,224	739	-	222,963
Income net of reinsurance ceded	2,785,536	1,490,669	188,367	4,464,572
Gross benefits and claims from insurance contracts	2,058,437	1,161,725	-	3,220,162
Insurance benefits and claims recovered from reinsurers	(634,559)	(16,268)	-	(650,827)
Other expenses	939,526	302,731	119,916	1,362,173
Expenses	2,363,404	1,448,188	119,916	3,931,508
Results of operating activities	422,132	42,480	68,451	533,063
Share of profit of associates	20,589	57,520	53,515	131,624
Profit Before Tax	442,721	100,000	121,966	664,687
Income tax expense	33,436	30,000	41,736	105,172
Profit for the year	409,285	70,000	80,230	559,515

Other segment items included in the income statement for the year ended 31 December 2007 are as follows:

	Short-Term Business Shs '000	Long-Term Business Shs '000	Others Shs '000	Total Shs '000
Depreciation (Note 17)	18,577	7,964	-	26,541
Impairment of premium receivables	(9,034)	-	-	(9,034)

Other segment items included in the income statement for the year ended 31 December 2006 are as follows:

	Short-Term Business Shs '000	Long-Term Business Shs '000	Others Shs '000	Total Shs '000
Depreciation (Note 17)	23,315	8,975	-	32,290
Impairment of premium receivables	39,257	1,581	-	40,838



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for the year ended 31 December 2007

Notes (Continued)

5. SEGMENT INFORMATION (Continued)

The segment assets and liabilities at 31 December 2007 and capital expenditure for the year then ended are as follows:

	Short-Term Business Shs '000	Long-Term Business Shs '000	Others Shs '000	Total Shs '000
Investment in associates	-	148,899	1,701,246	1,850,145
Quoted shares	1,207,040	1,976,191	686,148	3,869,379
Government securities held to maturity	687,172	3,085,121	3,216	3,775,509
Reinsurers'share of technical provisions and reserves	1,228,817	27,058	-	1,255,875
Other assets	2,816,362	2,997,955	1,377,237	7,191,554
Total assets	5,939,391	8,235,224	3,767,847	17,942,462
Insurance liabilities	4,308,133	7,950,299	-	12,258,432
Other liabilities	695,878	114,318	1,011,062	1,821,258
Total liabilities	5,004,011	8,064,617	1,011,062	14,079,690
Capital expenditure	7,297	2,376	-	9,673

The segment assets and liabilities at 31 December 2006 and capital expenditure for the year then ended are as follows:

	Short-Term Business Shs '000	Long-Term Business Shs '000	Others Shs '000	Total Shs '000
Investment in associates	203,896	140,295	668,156	1,012,347
Quoted shares	1,367,452	1,604,102	310,314	3,281,868
Government securities held to maturity	577,745	2,842,412	3,191	3,423,348
Reinsurers'share of technical provisions and reserves	1,196,851	20,874	-	1,217,725
Other assets	2,528,572	2,034,772	1,857,743	6,421,087
Total assets	5,874,516	6,642,455	2,839,404	15,356,375
Insurance liabilities	3,348,562	6,668,154	-	10,016,716
Other liabilities	670,533	86,987	965,875	1,723,395
Total liabilities	4,019,095	6,755,141	965,875	11,740,111
Capital expenditure	29,423	12,925	-	42,348

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for the year ended 31 December 2007

Notes (Continued)

5. SEGMENT INFORMATION (Continued)

b) Secondary reporting format - geographical segments

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

The Long-Term business gross earned premium written outside of Kenya in 2007 was only 3.0%(2006 : 3.1%) of the total. The following is the geographical segment information

	Gross earned premium		Investment income		Total assets		Capital expenditure	
	2007	2006	2007	2006	2007	2006	2007	2006
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Kenya	2,894,453	2,337,539	1,324,827	1,086,799	14,128,739	11,724,283	6,159	26,058
Uganda	621,182	528,349	164,251	133,606	2,326,866	2,473,871	2,782	9,715
Tanzania	711,963	618,478	22,779	57,860	1,347,033	1,022,930	577	6,575
Mauritius	-	-	21,822	40	139,821	132,694	155	-
India	-	-	21	10,332	-	2,597	-	-
Total	4,227,598	3,484,366	1,533,700	1,288,637	17,942,462	15,356,375	9,673	42,348

6. GROSS EARNED PREMIUM

Gross earned premium for the year ended 31 December 2007

(i) Short-Term business

Premium earned by principal class of business

	Gross Shs '000	Reinsurance Shs '000	Net Shs '000
- Motor	923,905	119,387	804,518
- Fire	501,087	434,711	66,376
- Personal accident and medical	1,363,085	151,745	1,211,340
- Others	683,401	347,248	336,153
Total short-term	3,471,478	1,053,091	2,418,387

(ii) Long-Term business

Premium earned by principal class of business

	Gross Shs '000	Reinsurance Shs '000	Net Shs '000
- Ordinary life	285,539	4,030	281,509
- Retirement benefits	470,581	108,945	361,635
Total Long-Term	756,120	112,976	643,144
Total Short-Term and Long-Term	4,227,598	1,166,067	3,061,531



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for the year ended 31 December 2007

Notes (Continued)

6. GROSS EARNED PREMIUM

Gross earned premium for the year ended 31 December 2006

(i) Short-Term business

Premium earned by principal class of business

	Gross Shs '000	Reinsurance Shs '000	Net Shs '000
- Motor	885,716	122,027	763,689
- Fire	459,253	287,611	171,642
- Personal accident and medical	1,084,005	136,966	947,039
- Others	582,820	373,153	209,667
Total short-term	3,011,794	919,757	2,092,037

(ii) Long-Term business

Premium earned by principal class of business

	Gross Shs '000	Reinsurance Shs '000	Net Shs '000
- Ordinary life	254,198	4,308	249,890
- Other	218,374	40,033	178,341
Total Long-Term	472,572	44,341	428,231
Total Short-Term and Long-Term	3,484,366	964,098	2,520,268

7. INVESTMENT INCOME

	2007 Shs '000	2006 Shs '000
Mortgage loan interest	6,014	11,319
Bank deposit interest	176,409	90,703
Government securities interest	413,727	344,956
Interest on policy loans	26,472	22,681
Dividends receivable from equity investments	130,562	96,351
Rental income from investment properties (net of expenses)	232,221	142,417
Gain on sale of investments	460,008	529,868
Fair value gain/(loss) on investment properties (Note 18(a))	48,358	9,183
Exchange (loss)/gain	(46,655)	8,373
Other income	86,584	32,786
Total	1,533,700	1,288,637

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for the year ended 31 December 2007

Notes (Continued)

8. CLAIMS AND POLICYHOLDER BENEFITS PAYABLE

Claims and policyholder benefits payable for the year ended 31 December 2007

i) Short-Term business

Claims payable by principle class of business

	Gross Shs '000	Reinsurance Shs '000	2007 Net Shs '000
- Motor	490,066	52,791	437,275
- Fire	222,333	152,250	70,083
- Personal accident and medical	1,001,109	63,889	937,220
- Others	354,802	138,154	216,648
Total	2,068,310	407,084	1,661,226

ii) Long-Term business

Claims payable by principle class of business

	Gross Shs '000	Reinsurance Shs '000	Net Shs '000
- Ordinary life	173,303	(515)	173,817
- Interest payable on deposit administration contracts	433,251	-	433,251
- Group life, annuities	387,401	33,336	354,065
Total Long-Term	993,955	32,822	961,133
Total Short-Term and Long-Term business	3,062,265	439,906	2,622,359

Claims and policyholder benefits payable for the year ended 31 December 2006

i) Short-Term business

Claims payable by principle class of business

	Gross Shs '000	Reinsurance Shs '000	2006 Net Shs '000
- Motor	493,488	59,785	433,703
- Fire	454,667	401,095	53,572
- Personal accident and medical	847,217	53,067	794,150
- Others	263,066	120,612	142,454
Total	2,058,438	634,559	1,423,879



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for the year ended 31 December 2007

Notes (Continued)

8. CLAIMS AND POLICYHOLDER BENEFITS PAYABLE (Continued)

ii) Long-Term business

Claims payable by principle class of business

	Gross Shs '000	Reinsurance Shs '000	Net Shs '000
- Ordinary life	332,675	1,010	331,665
- Interest payable on deposit administration contracts	400,573	-	400,573
- Group life, annuities	428,477	15,258	413,219
Total Long-Term	1,161,725	16,268	1,145,457
Total Short-Term and Long-Term business	3,220,163	650,827	2,569,336

9. OPERATING AND OTHER EXPENSES

	2007 Shs '000	2006 Shs '000
Employee benefits expense (Note 10)	455,388	412,373
Auditor's remuneration	9,018	8,836
Depreciation (Note 17)	26,541	32,290
Impairment charge for doubtful premium receivables	(9,034)	40,848
Operating lease rentals - land and buildings	46,243	51,539
Repairs and maintenance expenditure	7,460	10,272
Finance costs	59,205	-
Other	363,683	357,848
Total	958,504	914,006

10. EMPLOYEE BENEFITS EXPENSE

	2007 Shs '000	2006 Shs '000
Wages and salaries	408,511	372,737
National Social Security Fund	4,745	3,452
Retirement benefit costs – defined contribution plan	14,611	12,594
Other benefits	27,521	23,590
Total	455,388	412,373

The number of persons employed by the Group at year-end was 324 (2006: 316).

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for the year ended 31 December 2007

Notes (Continued)

11. INCOME TAX

Group	2007 Shs '000	2006 Shs '000
Current income tax	144,831	69,890
Deferred income tax (Note 26(a))	1,664	13,321
Total	146,495	83,211

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

	2007 Shs '000	2006 Shs '000
Profit before income tax	809,566	642,726
Tax calculated at 30% (2006: 30%)	242,870	192,818
Effect of:		
Income not subject to income tax	(130,280)	(134,991)
Expenses not deductible for tax purposes	22,325	9,958
Others	11,580	15,426
Income tax charge	146,495	83,211

12. SHARE CAPITAL

The total authorised number of ordinary shares is 45,000,000 (2006: 40,000,000) with a par value of Shs 5 per share. At 31 December 2007 45,000,000 ordinary shares were in issue (2006: 36,000,000 ordinary shares). All issued shares are fully paid.

	Number of shares		Share capital	
	2007 '000	2006 '000	2007 Shs '000	2006 Shs '000
Ordinary shares of Shs 5 each				
Authorised	45,000	40,000	225,000	200,000
Issued and fully paid				
At start of year	36,000	36,000	180,000	180,000
Bonus issue of shares	9,000	-	45,000	-
At end of year	45,000	36,000	225,000	180,000

On 9th October, 2007 a bonus share of one ordinary share for every four held was made by capitalising Shs 45 million from retained earnings. A total of 9 million ordinary shares were issued.



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for the year ended 31 December 2007

Notes (Continued)

13. RESERVES

(a) Group

Fair value reserves

	2007 Shs '000	2006 Shs '000
At start of year	849,532	222,919
Fair value (loss)/gains on quoted shares (Note 19 (a))	(174,505)	524,108
Fair value gains on unquoted shares (Note 20(a))	35,350	30,283
Fair value (loss)/gain from associates	(87,620)	75,655
Fair value loss from others	-	(3,433)
At end of year	622,757	849,532

The fair value reserve is non-distributable.

General reserves

	2007 Shs '000	2006 Shs '000
At start of year	70,000	70,000
Transfer to retained earnings	-	-
At end of year	70,000	70,000

The general reserves of Shs 70 million were an appropriation of retained earnings in 1992, and are therefore distributable.

Translation reserves

	2007 Shs '000	2006 Shs '000
At start of year	(55,818)	(43,920)
Net translation loss	(14,711)	(11,898)
At end of year	(70,529)	(55,818)

Retained earnings

The retained earnings balance represents the amount available for dividend distribution to the shareholders of the Group. The movement in retained earnings is shown in the statement of changes in equity on page 21.

(b) Company

Fair value reserves

	2007 Shs '000	2006 Shs '000
At start of year	390,118	227,643
Fair value gain on quoted shares (Note 19 (b))	95,248	74,102
Fair value gain on unquoted shares (Note 20 (b))	37,168	88,373
At end of year	522,534	390,118

The fair value reserve is non-distributable.

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for the year ended 31 December 2007

Notes (Continued)

13. RESERVES (Continued)

General reserves

	2007 Shs '000	2006 Shs '000
At start and end of year	70,000	70,000

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

Retained earnings

The retained earnings balance represents the amount available for dividend distribution to the shareholders of the Company. The movement in retained earnings is shown in the statement of changes in equity on page 22.

14. PAYABLE UNDER DEPOSIT ADMINISTRATION CONTRACTS

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

Group

	2007 Shs '000	2006 Shs '000
At start of year	3,886,895	2,926,248
Pension fund deposits received	1,006,035	801,360
Surrenders and annuities paid	(450,435)	(304,536)
Interest credited to deposit administration policyholders (net of expenses)	459,903	464,408
Translation loss	(1,012)	(585)
At end of year	4,901,386	3,886,895

15. INVESTMENT IN ASSOCIATED COMPANIES AND SUBSIDIARIES

(i) INVESTMENT IN ASSOCIATED COMPANIES

Group

	2007 Shs '000	2006 Shs '000	2007 % Equity Held	2006 % Equity Held
Share of net assets in:				
I P S Power Investment Limited	148,899	140,295	27.00	27.00
East Africa Reinsurance Company Limited	-	203,896	-	25.83
Property Development and Management Limited	740,318	668,156	37.10	37.10
Bujagali Hydroelectric Limited	960,928	-	25.00	-
Total	1,850,145	1,012,347		



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for the year ended 31 December 2007

Notes (Continued)

15. INVESTMENT IN ASSOCIATED COMPANIES AND SUBSIDIARIES (Continued)

IPS Power Investment Limited is an investment vehicle company, which through its subsidiary has invested in the equity of Tsavo Power Company Limited that generates electricity for sale. Bujagali Hydro-electric project is an electricity generating company in Uganda. East Africa Reinsurance Company Limited (a private reinsurance company) was sold during the year. Property Development and Management Limited conducts property investment, development and management.

Group

	2007 Shs '000	2006 Shs '000
At start of year	1,012,347	838,897
Acquisition of an associate	960,928	-
Disposal of associate	(203,896)	-
Share of result of associate	73,509	92,272
Dividends received	(21,888)	(34,690)
Translation (Loss)/gain	(6,928)	9,724
Revaluation surplus	36,074	106,144
At end of year	1,850,145	1,012,347

(ii) INVESTMENT IN SUBSIDIARIES

Company

	Country of Incorporation	2007 Shs '000	2006 Shs '000	2007 % Equity Held by Group	2006 % Equity Held by Group
Investment at cost at year-end:					
Jubilee Insurance (Mauritius) Ltd	Mauritius	59,491	59,491	80	80
The Jubilee Investments Company Limited	Uganda	62,987	62,987	100	100
The Jubilee Insurance Company of Kenya Limited	Kenya	450,000	450,000	100	100
The Jubilee Insurance Company of Uganda Limited	Uganda	25,195	25,195	65	65
The Jubilee Insurance Company of Tanzania Limited	Tanzania	72,911	72,911	51	51
Total		670,584	670,584		

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

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Notes (Continued)

16. RELATED PARTY TRANSACTIONS

The ultimate parent of the Group is the Aga Khan Fund for Economic Development S.A., a company incorporated in Switzerland. There are various other companies related to Jubilee Holdings Limited through common shareholdings or common directorships.

In the normal course of business, insurance policies are sold to related parties at terms and conditions similar to those offered to major clients. Related parties rendered various services to the Group during the year.

i) Transactions with related parties	2007	2006
Group	Shs '000	Shs '000
Gross premium:		
Diamond Trust Bank Kenya Limited	11,482	19,603
Industrial Promotion Services (Kenya) Limited	120,164	106,450
TPS Eastern Africa Limited	6,849	8,985
Property Development and Management Limited	1,846	3,138
Total	140,341	138,176
Net claims incurred:		
Diamond Trust Bank Kenya Limited	7,163	7,002
Industrial Promotion Services (Kenya) Limited	21,650	22,330
TPS Eastern Africa Limited	563	247
Property Development and Management Limited	3,056	1,313
Total	32,432	30,892
Services received from:		
Industrial Promotion Services (Kenya) Limited	2,961	2,203
TPS Eastern Africa Limited	2,633	4,342
Property Development and Management Limited	8,450	9,551
Total	14,044	16,096
ii) Balances with related parties		
a) Group		
Outstanding premium:		
Diamond Trust Bank Kenya Limited	1,981	2,021
Industrial Promotion Services (Kenya) Limited	5,441	12,954
TPS Eastern Africa Limited	127	1,361
Property Development and Management Limited	36	344
Total	7,585	16,680
Outstanding claims:		
Diamond Trust Bank Kenya Limited	1,237	3,265
Industrial Promotion Services (Kenya) Limited	30,723	28,997
TPS Eastern Africa Limited	4,369	1,160
Property Development and Management Limited	520	400
Total	36,849	33,822
Deposits with financial institutions		
Diamond Trust Bank Kenya Limited	1,080,697	1,175,033
Total	1,080,697	1,175,033
Commercial bonds (Debenture)		
Diamond Trust Bank Kenya Limited	1,879	485,220
Total	1,879	485,220
b) Company		
Deposits with financial institutions		
Diamond Trust Bank Kenya Limited	-	600,129
Total	-	600,129
Due to related parties		
The Jubilee Insurance Company of Tanzania Limited	782	-
The Jubilee Insurance Company of Kenya Limited	533,928	325,609
Total	534,710	325,609
Commercial bonds (debenture)		
Diamond Trust Bank Kenya Limited	-	140,381
Total	-	140,381



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Notes (Continued)

16. RELATED PARTY TRANSACTIONS (Continued)

(iii) Key management compensation

Group

	Group		Company	
	2007	2006	2007	2006
	Shs '000	Shs '000	Shs '000	Shs '000
Salaries and other employment benefits	109,952	137,109	-	-

(iv) Directors' Remuneration

Group

Fees for services as directors	1,070	1,105	820	805
Other emoluments (included in key management compensation above)	24,932	33,034	-	-
Total	26,002	34,139	820	805

There were no loans given to Directors in the year ended 31 December 2007 (2006:Nil).

17. PROPERTY AND EQUIPMENT

Group

	Computer equipment	Motor vehicles	Furniture fixtures, fittings & office equipment	Total
	Shs '000	Shs '000	Shs '000	Shs '000
Year ended 31 December 2007				
Cost				
At start of year	146,787	35,110	138,225	320,122
Additions	4,161	2,628	2,884	9,673
Disposals	(3,095)	(11,035)	(2,701)	(16,831)
Exchange adjustment	(1,099)	(260)	(1,550)	(2,909)
At end of year	146,754	26,443	136,858	310,055
Depreciation				
At start of year	129,655	24,452	89,505	243,612
Charge for the year	12,839	2,950	10,752	26,541
On disposals	(1,887)	(9,645)	(1,060)	(12,592)
Exchange adjustment	(1,054)	(52)	(482)	(1,588)
At end of year	139,553	17,705	98,715	255,973
Net book value				
At 31 December 2007	7,201	8,738	38,143	54,082

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Notes (Continued)

17. PROPERTY AND EQUIPMENT (Continued)

	Computer equipment Shs '000	Motor vehicles Shs '000	Furniture fixtures, fittings & office equipment Shs '000	Total Shs '000
Year ended 31 December 2006				
Cost				
At start of year	137,703	31,602	129,527	298,832
Additions	17,388	12,196	12,764	42,348
Disposals	(6,356)	(7,193)	(2,324)	(15,873)
Exchange adjustment	(1,948)	(1,495)	(1,742)	(5,185)
At end of year	146,787	35,110	138,225	320,122
Depreciation				
At start of year	119,633	28,646	81,442	229,721
Charge for the year	17,795	3,141	11,354	32,290
On disposals	(5,961)	(5,866)	(1,819)	(13,646)
Exchange adjustment	(1,812)	(1,469)	(1,472)	(4,753)
At end of year	129,655	24,452	89,505	243,612
Net book value				
At 31 December 2006	17,132	10,658	48,720	76,510

18. INVESTMENT PROPERTY

The valuation of investment properties was carried out by M/S Mohamed A Samji on the basis of open market value. Investment properties include properties situated outside Kenya valued at Shs 784,014,000 (2006: Shs 764,790,003).

a) Group

	2007 Shs '000	2006 Shs '000
At start of year	1,944,790	1,890,636
Additions	-	44,825
Disposals	(45,000)	-
Exchange difference	(2,134)	146
Fair value gains (Note 7)	48,358	9,183
At end of year	1,946,014	1,944,790

b) Company

	2007 Shs '000	2006 Shs '000
At start of year	730,000	726,000
Additions	-	1196
Fair value gains	20,000	2,804
At end of year	750,000	730,000



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Notes (Continued)

19. QUOTED SHARES

a) Group

	2007 Shs '000	2006 Shs '000
At start of year	3,281,868	1,599,055
Additions	3,022,225	2,237,955
Disposals	(2,088,487)	(1,519,489)
Transfer from unquoted shares	-	150,782
Exchange difference	(38,882)	(9,804)
Fair value (losses)/gains available-for-sale investments (Note 13(a))	(174,505)	524,108
Fair value (losses)/gains on equity investments at fair value through profit and loss	(132,840)	299,261
At end of year	3,869,379	3,281,868

b) Company

	2007 Shs '000	2006 Shs '000
At start of year	243,363	-
Additions	267,610	169,261
Disposals	(4,102)	-
Fair value gains on available-for-sale investments (Note 13 (b))	95,248	74,102
At end of year	602,119	243,363

The quoted shares are revalued annually at the close of business on 31 December by reference to the stock exchange quoted prices. The market value of the above shares as at 24th March 2008 for the group was Shs 3,524,078,542 (2006: Shs 2,824,970,989).

20. UNQUOTED SHARES

a) Group

	2007 Shs '000	2006 Shs '000
At start of year	671,650	668,276
Transfer to quoted shares	-	(167,779)
Additions	282,983	11,968
Disposals	-	(1,521)
Exchange difference	(848)	(276)
Fair value gains available-for-sale investments (Note 13(a))	35,350	30,283
Fair value gains on equity investments at fair value through profit and loss	86,944	130,699
At end of year	1,076,079	671,650

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Notes (Continued)

20. UNQUOTED SHARES (Continued)

b) Company

	2007 Shs '000	2006 Shs '000
At start of year	438,065	351,213
Additions	334,147	-
Transfer to investment in associates	(365,999)	-
Disposals	-	(1,521)
Fair value gains available-for-sale investments (Note 13(b))	37,168	88,373
At end of year	443,381	438,065

21. LOANS RECEIVABLE

(i) MORTGAGE LOANS

a) Group

	2007 Shs '000	2006 Shs '000
At start of year	45,241	55,356
Loans advanced	46,052	4,799
Interest and penalties	7,899	11,595
Less: Provision for impairment losses	(1,763)	(276)
Redemptions/repayments	(14,583)	(25,873)
Exchange difference	(238)	(360)
At end of year	82,608	45,241

Maturity profile of mortgage loans

a) Group

	2007 Shs '000	2006 Shs '000
Loans maturing		
Within 1 year	1,734	11,923
In 1-5 years	76,462	24,492
In over 5 years	4,412	8,826
Total	82,608	45,241

Lending commitments

There were no mortgage loans approved by the directors but not advanced at 31 December 2007 (2006: Nil).



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Notes (Continued)

21. LOANS RECEIVABLE (Continued)

(ii) LOANS ON LIFE INSURANCE POLICIES

a) Group

	2007 Shs '000	2006 Shs '000
At start of year	177,443	163,898
Loans advanced	65,488	80,975
Interest	27,090	23,683
Loan repayments	(87,384)	(90,111)
Less: Provision for impairment losses	(55)	(1,002)
At end of year	182,582	177,443

Maturity profile of policy loans

a) Group

	2007 Shs '000	2006 Shs '000
Loans maturing		
Within 1 year	28,388	23,280
In 1-5 years	90,659	104,901
In over 5 years	63,535	49,262
Total	182,582	177,443

22. REINSURERS' SHARE OF TECHNICAL PROVISIONS AND RESERVES

Group

	2007 Shs '000	2006 Shs '000
Reinsurers' share of:		
- unearned premium (Note 31)	539,265	466,301
- notified claims outstanding (Note 30)	716,609	751,424
Total	1,255,875	1,217,725

Amounts due from reinsurers in respect of claims already paid by the company on contracts that are reinsured are included in receivables arising out of reinsurance arrangements on the balance sheet.

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Notes (Continued)

23. DEFERRED ACQUISITION COSTS

a) Group

	2007 Shs '000	2006 Shs '000
At start of year	48,518	82,477
Net (decrease) / increase	(6,131)	(33,959)
At end of year	42,387	48,518

24. GOVERNMENT SECURITIES HELD TO MATURITY

Group

	2007 Shs '000	2006 Shs '000
In Kenya:		
Treasury bills maturing within 91 days of the date of acquisition	59,727	64,716
Treasury bills maturing after 91 days of the date of acquisition	147,637	74,248
Treasury bonds maturing within 1 year	1,194,821	10,040
Treasury bonds maturing in 1-5 years	1,295,301	2,217,167
Treasury bonds maturing after 5 years	770,080	810,941
Outside Kenya:		
Treasury bonds maturing within 1 year	307,943	246,236
Total	3,775,509	3,423,348

25. CASH AND CASH EQUIVALENTS

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

	2007 Shs '000	2006 Shs '000
Cash and bank balances	432,756	126,042
Short-term deposits with banks	1,784,078	797,357
Bank overdraft	(22,037)	(22,042)
Treasury bills maturing within 91 days of the date of acquisition (Note 24)	59,727	64,716
Total	2,254,524	966,073



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Notes (Continued)

26. DEFERRED INCOME TAX

Deferred income tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2005: 30%). The movement in the deferred income tax account is as follows:

a) Group

	2007 Shs '000	2006 Shs '000
At start of year	156,635	143,314
Income statement (credit)/charge	1,664	13,321
At end of year	158,299	156,635

The net deferred tax liability is presented separately in the balance sheet as follows:

	2007 Shs '000	2006 Shs '000
Deferred income tax asset	(19,820)	(14,254)
Deferred income tax liability	178,119	170,889
Net deferred income tax liability	158,299	156,635

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

	1.1.2007 Shs '000	Charged/(Credited) to profit and loss Shs '000	31.12.2007 Shs '000
Fair value gains on investment properties	174,580	6,000	180,580
Accelerated depreciation	(8,254)	(230)	(8,484)
Impairment provisions	(14,212)	-	(14,212)
Other deductible temporary differences	4,521	(4,106)	415
Net deferred income tax liability	156,635	1,664	158,299

b) Company

	2007 Shs '000	2006 Shs '000
At start of year	113,683	107,036
Income statement (credit)/charge	6,000	6,647
Credited to equity	-	-
At end of year	119,683	113,683

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Notes (Continued)

26. DEFERRED INCOME TAX (Continued)

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

	1.1.2007 Shs '000	Charged to profit and loss Shs '000	31.12.2007 Shs '000
Fair value gains - investment properties	111,973	6,000	117,973
Provisions	1,260	-	1,260
Other deductible temporary differences	450	-	450
Net deferred income tax liability	113,683	6,000	119,683

27. EARNINGS PER SHARE

Earnings per ordinary share of Shs 5 each is calculated by dividing the net profit attributable to Shareholders by the adjusted average number of shares outstanding during the year adjusted for the effect for the bonus share issue. Accordingly, basic and diluted earnings per share for 2006 have been adjusted to reflect this change.

a) Group

	2007	2006
Net profit attributable to Shareholders (Shs' 000)	616,846	527,981
Adjusted weighted average number of ordinary shares in issue (thousands)	45,000	45,000
Earnings per share (Shs)-Basic and diluted	13.71	11.73

There was no potentially dilutive shares in issue at 31 December 2007 and 31 December 2006. Diluted earnings per share is therefore the same as basic earnings per share.

28. WEIGHTED AVERAGE EFFECTIVE INTEREST RATES

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 the principal interest bearing financial assets and liabilities at 31 December:

	2007 %	2006 %
Government securities	11	10
Deposits with financial institutions	10	9
Mortgage loans	14 to 16	14 to 16
Commercial bonds	9	11
Loans on life insurance policies	10 to 16	10 to 16
Payable under deposit administration contracts	12	13
Borrowings	7	7

Deposits with financial institutions have an average maturity of 3 months (2006: 3 months)



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Notes (Continued)

29. INSURANCE CONTRACT LIABILITIES

	2007 Shs '000	2006 Shs '000
Short term non-life insurance contracts		
- claims reported and claims handling expenses (Note 30(i))	1,824,919	1,672,718
- claims incurred but not reported (Note 30(i))	276,468	222,974
Total Short-Term	2,101,387	1,895,692
Long term insurance contracts		
- claims reported and claims handling expenses	167,361	130,130
- actuarial value of long term liabilities	2,794,830	2,617,487
Total Long-Term	2,962,191	2,747,617
Total gross insurance liabilities	5,063,578	4,643,309

Movements in insurance liabilities and reinsurance assets are shown in Note 30.

i) Short-Term insurance contracts

Gross claims reported, claims handling expenses liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvage and subrogation. The expected recoveries at the end of 2007 and 2006 are not material.

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



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Notes (Continued)

29. INSURANCE CONTRACT LIABILITIES (Continued)

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

Accident year	2003	2004	2005	2006	2007	Total
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Estimate of ultimate claims cost						
at end of accident year	412,297	161,686	258,995	824,638	1,937,864	3,595,480
one year later	406,438	137,163	211,533	687,745	-	1,442,879
two years later	374,581	106,543	239,094	-	-	720,218
three years later	365,987	109,011	-	-	-	474,998
four years later	450,462	-	-	-	-	450,462
Current estimate of cumulative claims	450,462	109,011	239,094	687,745	1,937,864	3,424,176
Less: cumulative payments to date	(271,534)	(143,478)	(203,261)	(596,954)	(450,473)	(1,665,701)
Liability in the balance sheet	178,928	(34,467)	35,833	90,791	1,487,390	1,758,475
Liability in respect of prior years	-	-	-	-	342,912	342,912
Total gross claims liability included in the balance sheet	178,928	(34,467)	35,833	90,791	1,830,302	2,101,387

ii) Long-Term insurance contracts

Actuarial liabilities based on generally accepted actuarial principles were computed as at 31st December, 2007. The assumptions underlying the liability computation take into account the terms and conditions governing the policies, expected premiums, mortality rates disability rates, lapse rate, maintenance expenses, inflation, investment returns and margins for adverse deviation.

The liabilities are at least equal to those based on the methods and assumptions prescribed under the Insurance Regulations.

Sensitivity analysis

The impact of reasonable changes in key valuation assumptions on the value of actuarial liabilities is not material



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Notes (Continued)

30. MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

Group

Short-Term insurance business

	Gross	Reinsurance	2007 Net	Gross	Reinsurance	2006 Net
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Notified claims	1,672,718	670,546	1,002,172	1,342,522	346,606	995,916
Incurred but not reported	222,974	80,878	142,096	136,666	-	136,666
Total at start of the year	1,895,692	751,424	1,144,268	1,479,188	346,606	1,132,582
Cash paid for claims settled in year	(1,762,415)	(473,603)	(1,288,812)	1,533,227	318,836	1,214,391
Increase in liabilities						
arising from current year claims	2,247,118	477,315	1,769,803	1,605,643	420,808	1,184,835
arising from prior year claims	(279,009)	(38,527)	(240,482)	344,088	302,846	41,242
Total at end of year	2,101,388	716,609	1,384,777	1,895,692	751,424	1,144,268
Notified claims	1,824,919	573,491	1,251,428	1,672,718	670,546	1,002,172
Incurred but not reported	276,468	143,119	133,349	222,974	80,878	142,096
Total at the end of year	2,101,387	716,610	1,384,777	1,895,692	751,424	1,144,268

31. PROVISIONS FOR UNEARNED PREMIUM

Group

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

Unearned premium provision

	Gross	Reinsurance	2007 Net	Gross	Reinsurance	2006 Net
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
At start of year	1,284,865	466,301	818,564	1,193,166	416,823	776,343
Increase in the period (net)	434,015	72,965	361,050	91,699	49,478	42,221
At end of year	1,718,880	539,266	1,179,614	1,284,865	466,301	818,564

32. DIVIDENDS PER SHARE

Proposed dividend is accounted for as a separate component of equity until ratified at an Annual General Meeting. During the year interim dividend of Shs 45 million was paid (2006: Shs 36 million) or Shs 1.00 per share (2006: Shs 1.00 per share). At the Annual General Meeting on 16th May, 2008 a final dividend of Shs 146.25 million (2006: Shs 117 million) is to be proposed, which is Shs 3.25 per share (2006: Shs 3.25). The total dividend is therefore Shs 191.25 million (2006: Shs 153 million) or Shs 4.25 per share (2006: Shs 4.25 per share).

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



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Notes (Continued)

33. CONTINGENT LIABILITIES

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

34. BORROWINGS

The borrowings are made up as follows

	2007 Shs '000	2006 Shs '000
Bank overdraft	22,037	22,042
Short-term borrowing	-	803,660
Bank borrowing	975,888	-
Total borrowing	997,925	825,702

The bank borrowing relates to a loan of USD 13 million advanced by Barclays Bank of Kenya Limited to The Jubilee investments Co. Ltd. to finance Bujagali Hydro-electric project in Uganda. The loan attracts an interest rate of 6.7% per annum and is repayable in four years.

The short-term borrowing is unsecured loan acquired on 6th December, 2006 from Barclays Bank of Kenya Limited. The weighted average interest rate on the borrowing was 6.68% per annum. The entire loan plus interest thereon was repaid on 4th January, 2007.