

TABLE OF CONTENTS

Group Information	6
Notice of the Annual General Meeting	10
Board of Directors	14
Chairman's Statement	16
Senior Management	17
Report of the Directors	22
Statement of Directors' Responsibilities	24
Corporate Governance Statement	
Report of the Independent Auditor	
Financial Statements:	
Consolidated Profit and Loss Account	26
Consolidated Balance Sheet	27
Company Balance Sheet	28
Consolidated Statement of Changes in Equity	29
Company Statement of Financial Position	30
Consolidated Cash Flow	31
Notes	32
Supplementary Information - Group Review 10 years	78
Additional Group Information	79

CMA-LIBRARY

CMA - Ke Library

AR1703



GROUP INFORMATION

Capital and reserves	Shs '000
Authorised Capital	225,000
Issued Capital	225,000
Paid-up Capital	225,000
Retained Earnings	2,742,884

Registered Office

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

Subsidiaries

The Jubilee Insurance Company of Tanzania Limited (51%)
 The Jubilee Insurance Company of Uganda Limited (65%)
 The Jubilee Insurance Company of Kenya Limited (100%)
 The Jubilee Investment Company of Uganda Limited (100%)
 The Jubilee Investment Company of Tanzania Limited (100%)
 Jubilee Financial Services Limited (100%)
 Jubilee Insurance (Mauritius) Ltd (80%)

Associates

Property Development and Management Limited (37.1%)
 IPS Power Investment Limited (27%)
 Bujagali Holding Power Company Limited (25%)

Auditor

PricewaterhouseCoopers

Corporate lawyers

Daly & Figgis Advocates

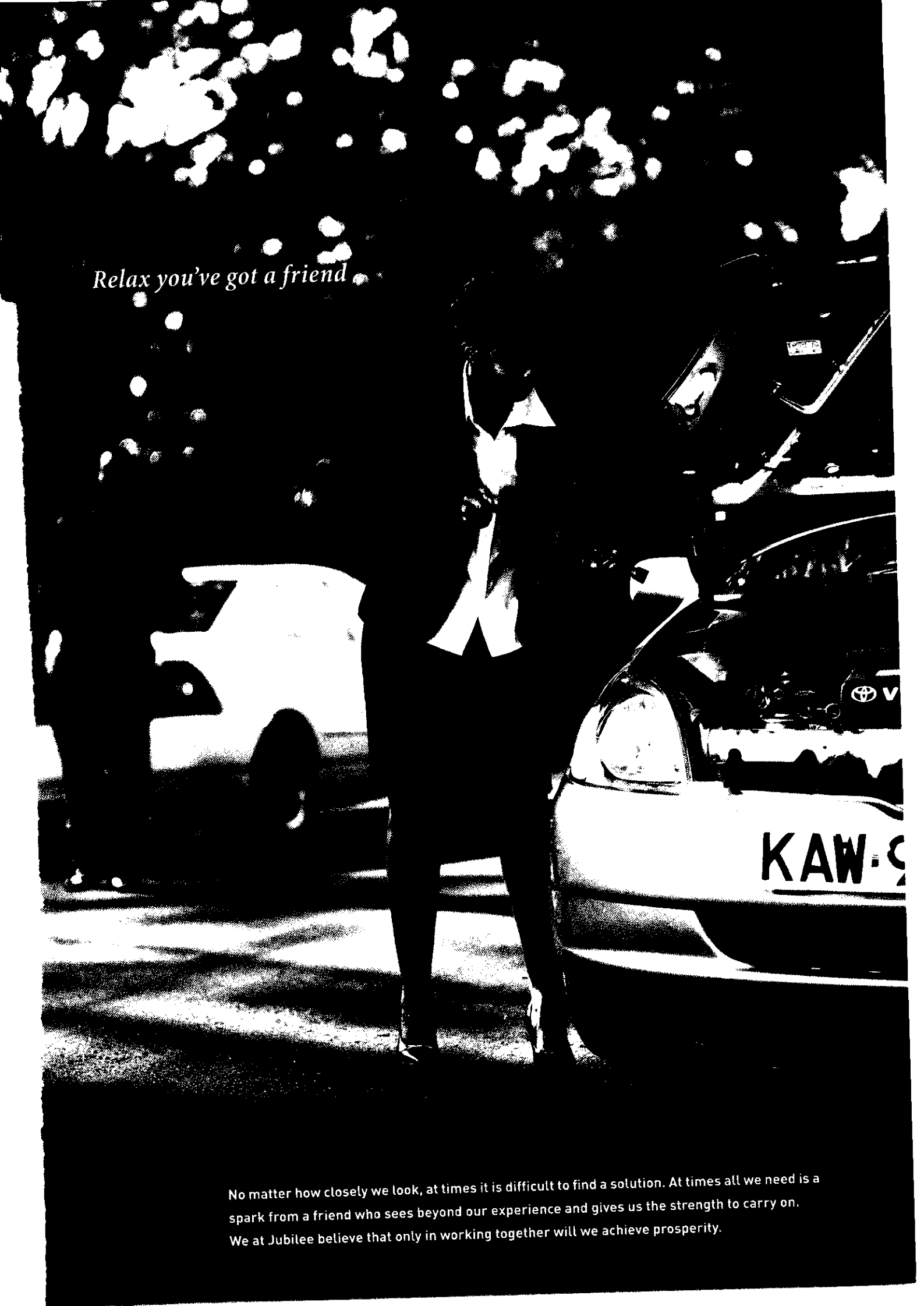
Share registrar

Jubilee Holdings Limited

Principal bankers

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

2009/1703

A black and white photograph of a man in a dark suit and tie standing next to a light-colored car. The car's hood is open, and the man is looking down at it. In the background, another car is partially visible, and there are trees with leaves. The license plate on the car in the foreground is 'KAW-S'.

Relax you've got a friend

No matter how closely we look, at times it is difficult to find a solution. At times all we need is a spark from a friend who sees beyond our experience and gives us the strength to carry on. We at Jubilee believe that only in working together will we achieve prosperity.

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the Seventy first Annual General Meeting of the Shareholders will be held at the Nairobi Serena Hotel, Kenyatta Avenue, on Monday, 15th June, 2009 at 11:00 a.m. to transact the following ordinary business:

1. To consider and, if thought fit, to adopt the Accounts for the year ended 31st December, 2008, the Report of the Directors and the Report of the Auditor thereon.
2. To confirm the payment of the interim dividend of 20% made on 9th October, 2008 and approve the payment of a final dividend of 65% on the issued and paid-up capital of the Company on or about 10th July, 2009 to the Shareholders registered as at 15th June, 2009.
3. To elect the following Directors who retire by rotation and, being eligible, offer themselves for re-election:
 - (a) Dr. Ramadhani K. Dau
 - (b) Mr. Lutfi R. Kassam
4. To approve the Directors' remuneration.
5. To authorise the Directors to set the Auditor's remuneration.

By order of the Board

M M Kipchumba
Company Secretary
Nairobi
6th April, 2009

Note:

A member entitled to attend and vote at this meeting may appoint a proxy to attend and vote on his/her behalf and such proxy need not be a member of the Company.
The proxy form is attached to this Annual Report.

Proxy Form



Jubilee Holdings Limited
INCORPORATED IN KENYA, ESTABLISHED 1937

I/We (in block letters) _____
of _____
being a member/s of Jubilee Holdings Limited, hereby appoint _____
_____ of _____
or failing him/her, _____
of _____

or failing him/her the Chairman of the meeting to be my/our proxy, to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Monday June 15th 2009 at 11:00 a.m. and at any adjournment thereof.

As witness my hand this day _____ of _____ 2009.

Signature _____

Important notes:

1. If you are unable to attend this meeting personally, this Proxy Forms should be completed and returned to The Company Secretary, Jubilee Holdings Limited, P.O. Box 30376, 00100 GPO, Nairobi, Kenya so as to reach her not later than 48 hours before the time appointed for holding the meeting.
2. A person appointed to act as Proxy need not be a member of the Company.
3. If the appointer is a corporation, this Proxy Form must be under the hand of the officer or Attorney duly authorized in writing.

Fold 2

Stamp

Fold 1

*The Company Secretary
Jubilee Holdings Limited
P O Box 30376-00100, GPO
Nairobi, Kenya*

Fold 3

Board of Directors

Chairman's Statement

Senior Management

Report of the Directors

Statement of Directors' Responsibilities

BOARD OF DIRECTORS



■ John J Metcalf*
Director

■ Juma Kisaame**
Director

■ Nizar N Juma
Chairman

■ Lutf R Kassam
Director

■ Ramadhani K Dau***
Director

■ Audit and Compliance Committee

■ Finance Committee

■ Nominating and Senior Management Remuneration Committee



Company Secretary

Mark Khimji
Director

Tariq Owais
Director

Sultan Aftab
Director

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



Nizar N Juma Chairman



Sultan A Allana Director



Tom D Owuor Director



John J Metcalf Director



Margaret M Kipchumba Company Secretary



Juma Kisaame Director



Sultan K Khimji Director



Lutf R Kassam Director



Ramadhanim K Dau Director



"We will consolidate Jubilee's position as the leading multi-line insurance brand in East Africa and build on an active strategy of regional expansion."

CHAIRMAN'S STATEMENT

Dear Shareholders,

2008 will be remembered as one of the most challenging years in the history of the region. The impact of the post December 2007 election violence in the first half of the year coupled with the global economic recession which developed over the second half of the year have brought about a financial and economic slump of a severity that has not been experienced for many generations.

Such unprecedented events have severely tested the strategy and business models of financial institutions around the world, and I am pleased to inform you that the Jubilee Insurance Group has passed this test. In difficult market conditions Jubilee has recorded strong growth in all lines of our insurance business and has achieved a record profit before tax of Shs 900.7 million. The individual performances of our insurance subsidiary companies within the region have been impressive and in 2008 we reinforced our position as the largest insurance group in East Africa growing strongly to generate a gross written premium of Shs 7.6 billion. In Kenya Jubilee is now the largest insurance company and also the leading short term insurer and in 2008 Jubilee also became the overall market leader in Uganda and consolidated its position in the Tanzanian market.

National Economy

In light of the economic environment described above, Gross Domestic Product is estimated to have increased by about 3% for the whole year 2008. This is significantly lower than the 7% which was achieved in 2007.

Overall, inflation accelerated during 2008 to 27.7% in December 2008 as compared to 12% recorded in December 2007. The increase in inflation has been driven mainly by high food prices as well as fuel and other energy costs. The year saw a rise in short term interest rates with the bench mark 91 day Treasury Bills rising to 8.4% from 6.9% at the end of 2007.

In the year under review, the Kenya shilling depreciated by 31 % and 25.7 % against the Dollar and Euro respectively but appreciated by 5 % against the Pound.

In the capital markets, the NSE 20 Share index declined from 5,445 in December 2007 to 3,521 in December 2008. The adverse trends were compounded by the meltdown in the international markets.

Financial Performance

Jubilee has reported a Group Profit Before tax of Shs 900.7 million, up from Shs 809.6 million in 2007 and Gross Written Premiums increased by an impressive 33.8% to Shs. 7.6 billion. These results were achieved under very difficult market conditions which underlines the importance Jubilee has placed on risk management and underwriting discipline which have been fundamental to our performance in 2008. Inevitably, Jubilee has not been immune to the economic downturn and this is reflected in lower investment returns and writedowns on investments which the Board thought prudent in a depressed market. In such circumstances the impressive growth in underwriting profit from General insurance activities has proven to be extremely timely and indicative of a sound and sustainable business model.

CHAIRMAN'S STATEMENT (Continued)

Based on the performance, I am pleased to report that your Board has recommended a dividend payout for the year of 85% (2007: 85%), on the share capital. An interim dividend of 20% (Shs. 1.00 per share) was paid on 9th October, 2008. The Board is seeking your approval for a final dividend of 65% (Shs. 3.25 per share) bringing the total dividend for 2008 to Shs. 191.3 million (2007: Shs. 191.3 million).

General Insurance Performance

The Group's general insurance gross written premium grew by 34.7% to reach Shs 5.234 billion (2007: Shs 3.884 billion) and recorded an outstanding underwriting profit of Shs 265 million as compared to a Shs 51 million underwriting profit in 2007. This improvement was due to the adoption of more robust underwriting standards and an increased focus on risk management and product diversification which allowed the Group to improve the underlying profitability of the general insurance portfolio.

Medical Insurance Performance

The Group's medical insurance premium grew by 19.3% to reach Shs 1.479 billion (2007: Shs 1.228 billion). Jubilee consolidated and enlarged its medical insurance business market leadership in Kenya and also across East Africa. The Company's continued investment in human resources, systems, product enhancements and service improvements has created a competitive advantage and witnessed an increased underwriting profit of Shs 34.3 million in 2008, up from Shs 22.4 million in 2007.

Life Insurance Performance

The gross life insurance premium income and deposit administration inflows demonstrated strong growth of 30.2% to Shs 2.296 billion from Shs 1.764 billion in 2007, reflecting the Group's continued strategy to develop its life insurance business and establish a significant market presence in the life insurance segment. Our strong participation in the life market was exhibited by our agency force being amongst the top teams in the Association of Kenya Insurers agents of the year award competition where 3 of our individual life agents received awards for their sales achievements in 2008, a first for the Jubilee Insurance Group.

Despite a rate reduction from the previous year as a result of capital market declines following the onset of the global economic recession in the second half of 2008, we believe the net rate of return of 8.5% (2007: 12.00%) declared and credited by the Kenyan insurance subsidiary on the retirement benefit funds in the Guaranteed Fund will once again be one of the highest among the leading insurers in Kenya.

Jubilee significantly strengthened its regional senior management team during 2008 to establish the capability to consolidate its position as the leading insurance franchise in East Africa. The subsidiary insurance companies in Uganda and Tanzania again performed well during the year with both companies contributing positively to the Group's growth whilst increasing underwriting profitability and market share. The run-off insurance business of Jubilee Insurance (Mauritius) Ltd is ongoing and we will continue to monitor the assets and liabilities until fully discharged.



CHAIRMAN'S STATEMENT (Continued)

Corporate Social Responsibility

As a responsible financial institution we continue to make investment and insurance decisions taking into account a wide number of ethical, social and environmental issues. One of our core values has been to improve the well being of the community and for over 70 years, we have shown our commitment to this through a variety of programs and activities.

In 2008, through an engagement strategy that included training, charitable donations and employee volunteerism, we donated to the Kenya Red Cross Fund for Internally Displaced Persons, carried out a First Aid training course for staff, offered voluntary HIV testing and counselling services in the workplace, participated in the Canadian Invitational Golf Tournament, the African Concours d'Elegance, the Standard Chartered Marathon, the Aga Khan - Jubilee Diamond Trophy, and the Aga Khan Institutional Telematch.

In so doing, we supported our workforce, strengthened our relationships with the communities within which we operate and actively encouraged our employees, staff and suppliers to consider the needs of others and involve them in public service.

Board of Directors

The Directors who held office in 2008 are listed on page 16 of this Report. There were no changes to the composition of your Board of Directors in the year under review. The Board continues to reflect your Company's regional outlook, while drawing from the key experience and skills that continue to steer your Company towards achieving its strategic objectives.

Outlook

2009 will bring unique challenges as the global economic slowdown starts to directly impact our markets and the activities of our customers. Jubilee will increase its emphasis on sound risk management and effective oversight during this difficult period to ensure that the Group can maintain its position as the leading multi-line insurance brand in East Africa whilst continuing to focus on profitability. We believe that in difficult times there are customers who will place increasing emphasis on financial strength and quality in the selection of their insurance provider.

The challenges of the current economic environment will also bring opportunities for insurers such as Jubilee with the financial strength, expertise and depth of resources to execute development initiatives and regional expansion. Such opportunities will be at the forefront of our growth strategy in 2009 and beyond.

The Jubilee Insurance Group now provides insurance protection to more than 175,000 clients across East Africa, and will continue to increase its reach for the convenience of its existing and potential customers in the region.

I would like to thank all our business partners and particularly intermediaries and customers for their continued loyal support, which has enabled Jubilee to achieve our excellent results. I would also like to thank staff throughout the region who have continued to render excellent service to the Group. I also acknowledge with appreciation my colleagues on the Board and those on the Boards of the subsidiaries for their diligence, guidance and support.

Nizar N Juma
Chairman
6th April, 2009



Relax, you've got a friend

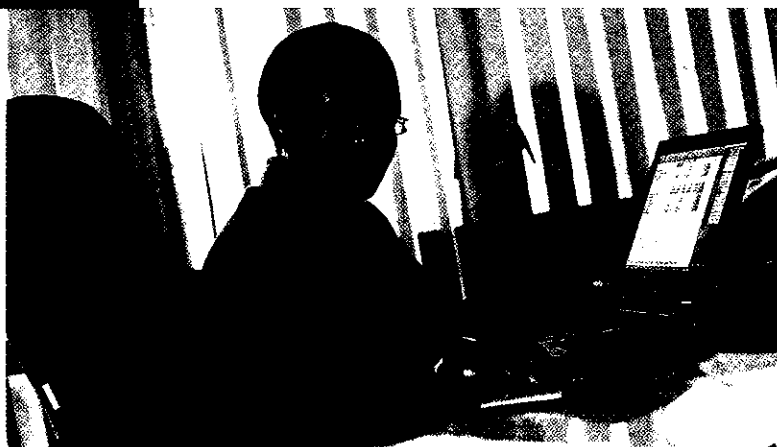
In life, there are bright days and dark days. Moments of joy and moments of pain.
In times of sorrow and loss, everyone needs a shoulder to lean on. At Jubilee,
we will always be there for you in your time of need.

SENIOR MANAGEMENT



◀ **David Ogega**, Head of Pensions Business (Kenya)

Lydia Kibaara, Head of Medical Insurance Business (Kenya) ▶



▲ **Azim Dawood**, Head of Life Insurance Business (Kenya)

Left to right:
Deepak Pandey, General Manager (Uganda) and
Rogation Selengia, Manager – Medical (Tanzania)





Andrew Greenwood General Manager
& Executive Committee (EX-COM)



Patrick Tumbo Nyamemba, Principal Officer (Kenya)
& Executive Committee (EX-COM)



Left to right:

◀ **Kabir Hyderally**, General Manager – Finance (Kenya)
and **Irene Kiragu**, Group Head of IT



Left to right:

George Alande, Deputy General Manager (Uganda),
Michael Oduor, Deputy General Manager (Kenya) and ▶
Shankar Sannamani, General Manager (Tanzania)



REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31st December, 2008 which disclose the state of affairs of Jubilee Holdings Limited (the "Company") and its subsidiary Companies (together the "Group").

General information

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

The Company is an investment holding company. The Company through its subsidiaries The Jubilee Insurance Company of Kenya Limited, The Jubilee Insurance Company of Uganda Limited, The Jubilee Insurance Company of Tanzania Limited and Jubilee Insurance (Mauritius) Ltd, transacts all classes of general and long term insurance business as defined by the Kenyan Insurance Act. It also owns investment companies in Uganda and Tanzania (The Jubilee Investments Company Limited) and a fund management company in Kenya (Jubilee Financial Services Limited).

The following is the summary of the results for the year ended 31st December, 2008:

	2008	2007
	Shs '000	Shs '000
Group profit before income tax	900,692	809,566
Income tax expense	(187,457)	(146,495)
Group profit after income tax	713,235	663,071
Minority interest	(76,994)	(46,225)
Profit attributable to Shareholders	636,241	616,846

An interim dividend of Shs 1.00 per share amounting to Shs 45 million (2007: Shs 45 million) was paid on 9th October, 2008. The Directors recommend a final dividend of Shs. 3.25 per share amounting to Shs.146.3 million (2007: Shs. 146.3 million) for approval by Shareholders. The total dividend for the year represents 85% of the issued share capital as at 31st December, 2008 (2007: 85%).

Directors

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

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

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

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

- (a) Dr. Ramadhani K Dau
- (b) Mr. Lutaf R Kassam

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

On behalf of the Board

Nizar N Juma
Chairman
Nairobi,
6th April, 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors accept responsibility for the annual statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Group and the Company and of its profit. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Nizar N Juma
Chairman

Sultan K Khimji
Director

6th April, 2009

JUBILEE HOLDINGS

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.

The principal activity of this company is that of project development within the private sector. It currently has investments in the manufacturing, agriculture and leather sectors.

This investment has been made in the corrugated cartons manufacturing project, with market leadership in Kenya.

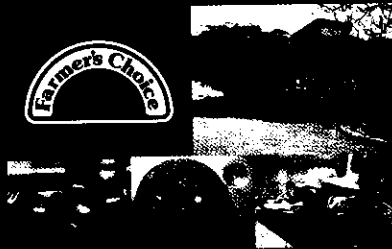
This company is involved in property investments, development and management. Some of the prime commercial and residential properties it owns include Nation Centre, IPS Building, Cambrian Building and Vienna Court.

Operating under the "Serena" brand name, Tourism Promotion Services (TPS) owns and manages 32 hotels in Africa and Asia. Its mandate is to invest in projects in selected areas of the developing world that are not only economically sound, but also have long-term development potential.

This is a commercial bank which offers a wide range of corporate, retail and commercial banking services to individuals and corporations throughout the region. DTB has regional representation in Kenya, Tanzania, Uganda and Burundi.

Existing projects

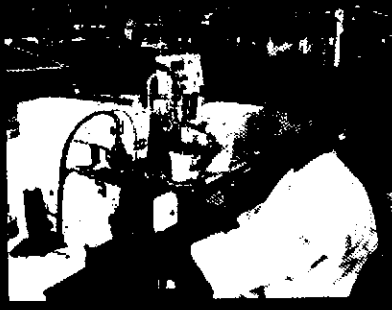
Projects under implementation



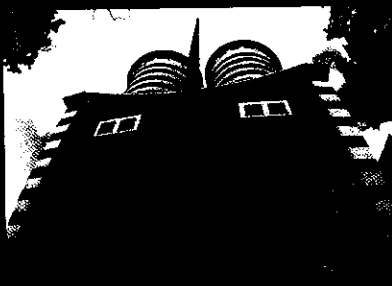
IPS (Kenya) – Farmers' Choice,
Nairobi, Kenya



IPS Building,
Nairobi, Kenya



IPS (Kenya) – Alltex Industries,
Nairobi, Kenya



PDM – Nation Centre,
Nairobi, Kenya



TPS (East Africa) – Serena Zanzibar,
Zanzibar, Tanzania



Diamond Trust Bank,
Dar Es Salaam, Tanzania



Jubilee Insurance Centre,
Kampala, Uganda



Bujagali Power Plant,
The Nile, Uganda



Seacom Fibre Optic Cable

Bujagali Holding Power Company Limited is an investment vehicle company which, through its subsidiary, has invested in the equity of Bujagali Energy Limited, an electricity generating company in Uganda. The project with a total capital outlay of \$860 million is presently under construction in Uganda. The project will generate 250 MW of electricity and is expected to come into operation in 2011. The project is the largest privately financed hydro power project in Africa and was awarded 'Africa Deal of the Year 2007' by EuroMoney Project Finance Magazine of London.

This is an investment vehicle company which has invested in the \$650 million (15,000 km) Seacom submarine fibre optic cable project. This project which links South Africa, Mozambique, Madagascar, Kenya and Tanzania with other international broadband cables will provide low cost and high quality broadband capacity and is expected to come into operation in 2009.

Are you covered?

Life ☒

Medical ☒

General ☒

Retirement ☒



Jubilee Insurance

The largest Insurer in East Africa

Corporate Governance Statement

Report of the Independent Auditor

CORPORATE GOVERNANCE STATEMENT

Jubilee Holdings Limited is committed to good corporate governance. The Directors reaffirm their commitment to upholding policies and strategies that enhance transparency and accountability as part of their continuing listing obligations and as advocated by the Capital Markets Authority guidelines for good corporate governance practices by public listed companies in Kenya.

Board of Directors

The Group is led by an effective Board that provides overall strategic guidance and that is accountable to shareholders and other stakeholders. The Directors who held office during the year under review and to the date of this report are listed on page 16. Currently, the Board comprises of eight non executive Directors. To assist the Board in the performance of its duties, various committees listed below have been established. These committees operate under clearly defined mandates which spell out their terms of reference, responsibility and scope of authority. The Committees have unrestricted access to Group information and are authorised by the Board to obtain any independent professional advice in the discharge of their functions. The Committees report to the Board through their Chairman at every Board meeting.

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

Board Audit and Compliance Committee:

Sultan K Khimji (Chairman), Juma Kisaame, Tom Owuor, Shiraz Pira*.

Board Finance Committee:

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

Board Nominating and Remuneration Committee:

Nizar Juma (Chairman), John Metcalf, Tom Owuor.

For services on the Board and Board Committees, the Directors receive remuneration approved by shareholders at the Annual General Meeting. In 2008, the aggregate amount of emoluments received by the Directors is shown under note 16 (iv) on page 66 of the financial statements. No loans were advanced to the Directors during the year under review.

*Shiraz Pira is a Director on the Board of The Jubilee Insurance Company of Tanzania Limited and has been co-opted onto the Board Audit and Compliance Committee in accordance with its charter.

Anti-Fraud Policy

The Group remains committed to the principles of responsible corporate behaviour. In addition to the code of business ethics, the Group adopted an anti-fraud policy to reinforce its zero tolerance stance to fraud and corruption. The policy, amongst other things, provides a framework for reporting and investigating fraud and ensuring fast and appropriate response to alleged incidences of fraud.

Employees are required to report any suspicion of fraud or impropriety. To facilitate this, various whistle blowing mechanisms have been initiated to provide employees and clients with the opportunity to report fraud without fear of victimisation or being named. Incidents, if any, of fraud and action taken are reported to the Board Audit and Compliance Committee.

Directors' Interest in the Shares of the Company as at 31st December, 2008

Name	Number of Shares
Mr Sultan K Khimji	8,238
<i>(including shares held by his family and company in which he has an interest)</i>	

CORPORATE GOVERNANCE STATEMENT (Continued)

Distribution of Shareholders as at 31st December, 2008

Number of Shares	Number of Shareholders	Number of Shares held	% Share-holding
Less than 500	1,425	287,815	0.64
501 - 5,000	3,960	7,014,960	15.59
5,001 - 10,000	527	3,723,432	8.27
10,001 - 100,000	388	9,457,091	21.02
100,001 - 1,000,000	15	4,692,339	10.43
Over 1,000,000	2	19,824,363	44.05
Total	6,317	45,000,000	100

List of 10 Largest Shareholders as at 31st December, 2008

Name	Number of Shares held	% Share-holding
1. Aga Khan Fund for Economic Development	17,093,182	37.98
2. Ameerli K. Somji &/or Gulzar Ameerli K Somji	2,731,181	6.07
3. Craysell Investments Limited	897,793	2.00
4. United Housing Estates Limited	816,480	1.81
5. Adam's Brown and Co Ltd.	803,990	1.79
6. Ameerli N Esmail	600,070	1.33
7. Noorali Rashid Sayani and Gulshan Noorali Sayani	225,090	0.50
8. Mahendra Krishnatal Adalja	175,000	0.39
9. Mulchand Narshi Shah	150,261	0.33
10. Gulzar Shamshudeen Somji	147,600	0.33
Total	23,640,647	52.53

REPORT OF THE INDEPENDENT AUDITOR

To the members of Jubilee Holdings Limited

Report on the financial statements

We have audited the accompanying consolidated financial statements of Jubilee Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), as set out on pages 26 to 76. These financial statements comprise the consolidated balance sheet as at 31st December, 2008 and the consolidated profit and loss account, statement of changes in equity and cash flow statement for the year then ended, together with the balance sheet of the Company standing alone as at 31st December, 2008 and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the Group and of the Company at 31st December, 2008 and of the profit and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

Report on other legal requirements

The Kenyan Companies Act requires that in carrying out our audit we consider and report to you on the following matters.

We confirm that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) in our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books;
- iii) the Company's balance sheet is in agreement with the books of account.

PRICEWATERHOUSECOOPERS 

Certified Public Accountants
Nairobi, Kenya
6th April, 2009

Financial Statements

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	2008 Shs '000	2007 Shs '000
Gross earned premium	6	5,854,638	4,227,598
Less: Outward reinsurance	6	(1,731,352)	(1,166,067)
Net insurance premium revenue	6	4,123,286	3,061,531
Investment income	7	1,739,627	1,533,700
Fair value losses on equity investments at fair value through profit and loss	19(a) & 20(a)	(508,779)	(45,896)
Commission earned		386,909	263,314
Other income		43,463	24,004
Total income		5,784,506	4,836,653
Claims and policyholder benefits payable	8	3,898,592	3,070,869
Insurance claims recoverable from reinsurers	8	(714,905)	(439,906)
Net insurance benefits and claims	8	3,183,687	2,630,963
Operating and other expenses	9	1,084,650	899,299
Finance costs		51,785	59,205
Commission payable		719,303	484,800
Total expenses and commissions		1,855,738	1,443,304
Result of operating activities		745,081	762,386
Share of result of associates	15(i)	155,611	47,180
Group profit before income tax		900,692	809,566
Income tax expense	11	(187,457)	(146,495)
Profit for the year		713,235	663,071
Attributable to:			
Equityholders of the Group		636,241	616,846
Minority interest		76,994	46,225
Total		713,235	663,071
Earnings per share attributable to the equityholders:			
Basic and diluted	27	14.14	13.71
Dividends:			
Interim - paid	32	45,000	45,000
Final - proposed	32	146,250	146,250
Total		191,250	191,250

CONSOLIDATED BALANCE SHEET

	Notes	2008 Shs '000	2007 Shs '000
CAPITAL AND RESERVES ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS			
Share capital	12	225,000	225,000
Fair value reserve	13(a)	(531,507)	751,387
General reserve	13(a)	70,000	70,000
Translation reserve	13(a)	32,196	(70,529)
Contingency reserve	13(a)	186,400	148,515
Retained earnings		2,742,884	2,335,778
Proposed dividends	32	146,250	146,250
Capital and Reserves attributable to the Company's equity holders		2,871,223	3,606,401
Minority interest		333,365	256,371
Total equity		3,204,588	3,862,772
REPRESENTED BY:			
ASSETS			
Property and equipment	17	44,737	54,082
Investment properties	18(a)	2,471,390	1,946,014
Investment in associates	15(i)	2,223,603	1,850,145
Unquoted shares	20(a)	1,192,045	1,076,079
Quoted shares	19(a)	3,925,287	3,869,379
Mortgage loans	21(i)	41,345	82,608
Loans on life insurance policies	21(ii)	189,895	182,582
Government securities held to maturity	24	3,038,667	3,775,509
Receivables arising out of reinsurance arrangements		640,796	375,465
Receivables arising out of direct insurance arrangements		913,739	826,848
Reinsurers' share of insurance contract liabilities	22	1,417,278	1,255,875
Deferred acquisition costs	23	112,440	42,387
Deferred income tax	26(a)	2,801	19,820
Current income tax		72,709	88,649
Other receivables		309,322	258,469
Commercial bonds		10,110	21,717
Deposits with financial institutions		2,818,292	1,784,078
Cash and bank balances		778,368	432,756
Total assets		20,202,824	17,942,462
LIABILITIES			
Insurance contract liabilities	29	5,783,988	5,063,578
Payable under deposit administration contracts	14	5,967,517	4,901,386
Unearned premium reserve	31	2,110,693	1,718,880
Creditors arising out of reinsurance arrangements		765,071	574,588
Other payables		1,008,166	502,860
Deferred income tax	26(a)	190,259	178,119
Current income tax payable		57,455	72,839
Dividends payable		92,537	69,516
Borrowings	34	1,022,550	997,924
Total liabilities		16,998,236	14,079,690
Net assets		3,204,588	3,862,772

The financial statements on pages 26 to 76 were approved by the Board of Directors on 6th April, 2009 and signed on its behalf by:

Nizar N Juma
Chairman

Sultan K Khimji
Director



COMPANY BALANCE SHEET

	Notes	2008 Shs '000	2007 Shs '000
CAPITAL EMPLOYED			
Share capital	12	225,000	225,000
Fair value reserves	13(b)	(15,855)	522,534
General reserves	13(a)	70,000	70,000
Retained earnings		1,650,326	1,309,695
Proposed dividends	32	146,250	146,250
Shareholders' funds		2,075,721	2,273,479
REPRESENTED BY:			
ASSETS			
Investment properties	18(b)	760,000	750,000
Investment in subsidiaries	15(ii)	670,882	670,584
Unquoted shares	20(b)	346,271	809,380
Quoted shares	19(b)	397,777	602,119
Deposits with financial institutions		9,820	4,974
Other receivables		3,656	9
Due from related parties	16	215,899	174,060
Current income tax		31,889	16,715
Cash and bank balances		2,932	2,007
Total assets		2,439,126	3,029,848
LIABILITIES			
Other payables		3,245	4,847
Due to related parties	16	140,539	534,710
Deferred income tax	26(b)	122,683	119,683
Current income tax		4,395	27,598
Dividends payable		92,536	69,515
Bank overdraft		7	16
Total liabilities		363,405	756,369
Net assets		2,075,721	2,273,479

The financial statements on pages 26 to 76 were approved by the Board of Directors on 6th April, 2009 and signed on its behalf by:

Nizar N Juma
Chairman

Sultan K Khimji
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	Notes	Share Capital Shs '000	Fair Value Reserves Shs '000	General Reserves Shs '000	Translation Reserves Shs '000	Contingency reserves Shs '000	Retained Earnings Shs '000	Proposed Dividends Shs'000	Minority Interest Shs '000	TOTAL Shs '000
Year ended 31st December, 2007										
As previously stated		180,000	849,532	70,000	(55,818)	-	2,232,326	117,000	223,224	3,616,264
Elimination of fair value reserves	13(a)	-	128,630	-	-	-	(128,630)	-	-	-
As restated		180,000	978,162	70,000	(55,818)	-	2,103,696	117,000	223,224	3,616,264
Bonus shares issued		45,000	-	-	-	-	(45,000)	-	-	-
Fair value losses 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 subsidiary	13(a)	-	-	-	-	-	-	-	(13,078)	(13,078)
Profit for the year		-	-	-	-	-	616,846	-	46,225	663,071
Transfer to contingency reserve		-	-	-	-	148,515	(148,515)	-	-	-
Dividends: - Final for 2006 paid	32	-	-	-	-	-	-	(117,000)	-	(117,000)
- Interim for 2007 paid	32	-	-	-	-	-	145,000	-	-	(45,000)
- Final for 2007 proposed	32	-	-	-	-	-	(146,250)	146,250	-	-
At end of year		225,000	751,387	70,000	(70,529)	148,515	2,335,778	146,250	256,371	3,862,772
Year ended 31st December, 2008										
At start of year		225,000	751,387	70,000	(70,529)	148,515	2,335,778	146,250	256,371	3,862,772
Fair value losses on available-for-sale financial assets	13(a)	-	(1,282,894)	-	-	-	-	-	-	(1,282,894)
Translation gain (net)	13(a)	-	-	-	102,725	-	-	-	-	102,725
Profit for the year		-	-	-	-	-	636,241	-	76,994	713,235
Transfer to contingency reserve	13(a)	-	-	-	-	37,885	(37,885)	-	-	-
Dividends: - Final for 2007 paid	32	-	-	-	-	-	-	(146,250)	-	(146,250)
- Interim for 2008 paid	32	-	-	-	-	-	(45,000)	-	-	(45,000)
- Final for 2008 proposed	32	-	-	-	-	-	(146,250)	146,250	-	-
At end of year		225,000	(531,507)	70,000	32,196	186,400	2,742,884	146,250	333,365	3,204,588

Dividends remaining unclaimed for more than six years are written back to retained earnings in accordance with the Company's Articles of Association.

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, 2007							
At start of year		180,000	390,118	70,000	1,308,739	117,000	2,065,857
Bonus shares issued		45,000	-	-	(45,000)	-	-
Fair value gains - quoted shares		-	95,248	-	-	-	95,248
Fair value 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
Year ended 31 December, 2008							
At start of year		225,000	522,534	70,000	1,309,695	146,250	2,273,479
Fair value losses - quoted shares	13[b]	-	(573,709)	-	-	-	(573,709)
Transfer of revaluation loss to retained earnings	13[b]	-	35,320	-	(35,320)	-	-
Profit for the year		-	-	-	567,201	-	567,201
Dividends: - Final for 2007 paid	32	-	-	-	-	(146,250)	(146,250)
- Interim for 2008 paid	32	-	-	-	(45,000)	-	(45,000)
- Final for 2008 proposed	32	-	-	-	(146,250)	146,250	-
At end of year		225,000	(15,855)	70,000	1,650,326	146,250	2,075,721

Dividends that remain unclaimed for more than six years are written back to retained earnings in accordance with the Company's Articles of Association.

CONSOLIDATED CASH FLOW STATEMENT

	Notes	2008 Shs '000	2007 Shs '000
Cash flow from operating activities			
Profit before income tax		900,692	809,566
Adjustments for: -			
Depreciation	17	21,486	26,541
Fair value losses on equity investments at fair value through profit and loss		(508,779)	(45,896)
Impairment of equity investments		102,330	-
Net inflows from deposit administration contracts		1,066,131	1,014,491
Change in insurance contract liabilities and reserves		1,621,003	908,783
Investment income	7	(1,739,627)	(1,533,700)
Share of result of associates after income tax	15(ii)	(155,611)	(47,180)
Operating profit before changes to receivables and payables		1,307,625	1,132,605
Increase in premium, reinsurance and other receivables		(634,532)	(288,511)
Increase in reinsurance and other payables		687,407	223,840
Cash generated from operations		1,360,500	1,067,934
Income tax paid		(155,702)	(148,097)
Net cash inflow from operating activities		1,204,798	919,837
Cash flow from investing activities			
Rent, interest and dividend received		1,325,574	1,447,639
Dividends received from associates	15(i)	46,860	21,888
Proceeds from sale of quoted shares	19	1,519,067	2,088,487
Proceeds from disposal of property and equipment		968	4,238
Proceeds from disposal of associate		-	221,354
Purchase of property and equipment	17	(11,652)	(9,673)
Proceeds from disposal of investment properties		116,476	56,191
Purchase of quoted shares	19(a)	(3,246,226)	(3,022,225)
Net purchase of unquoted shares	20(a)	(19,720)	(282,983)
Additional investment in associate	15(i)	(264,707)	(960,928)
Net mortgage loans advanced		41,263	(37,604)
Net loans on life insurance policies advanced		(7,313)	(5,139)
Net decrease/(increase) of government securities maturing after 91 days of date of acquisition		844,375	(357,150)
Net proceeds of commercial bonds		11,607	471,744
Net cash inflow/(outflow) from investing activities		356,572	(364,161)
Cash flow from financing activities			
Borrowings		45,717	975,887
Dividends paid		(191,250)	(162,000)
Net cash (outflow)/inflow from financing activities		(145,533)	813,887
Increase in cash and cash equivalents		1,415,837	1,369,563
Cash and cash equivalents at start of year	25	2,254,524	966,073
Exchange gain/(loss) on translation of cash and cash equivalents in foreign currencies		102,725	(81,112)
Cash and cash equivalents at end of year	25	3,773,086	2,254,524





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 Tanzania.

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

The insurance business of 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, the issue of investment contracts and the administration of pension funds. Short-term business relates to all other categories of insurance business written by the Group, analysed into several sub-classes of business based on the nature of the assumed risks.

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

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.

NOTES (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

Adoption of new revised standards

Interpretations effective in 2008

In 2008, the following new interpretations became effective for the first time but have not had an impact on the Group's financial statements:

- IFRIC 11 – IFRS 2 – Group and treasury share transactions
- IFRIC 12 – Service Concession Arrangements
- IFRIC 14 – IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction.
- IAS 39 and IFRS 7 – Reclassification of financial assets.

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

One new standard (IFRS 8 – Operating Segments) and numerous amendments to existing standards and new interpretations have been published and will be effective for the Group's accounting periods beginning on or after 1st January, 2009, but the Group has not early adopted it.

The Directors assessed the relevance of the amendments and interpretations with respect to the Group's operations and have determined that they are unlikely to have a significant impact to the Group other than the amendment to IAS 1 – "presentations of financial statements", which will require an analysis of equity to be presented in a comprehensive statement of income and IFRS 8 – "operating segments", which will require a management approach under which segment information is provided on the same basis as that used for internal purposes.

2.2 CONSOLIDATION

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies (so as to obtain benefits from its activities) 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.

NOTES (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 CONSOLIDATION (Continued)

(b) Investments in Associates (Continued)

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.

(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 INFORMATION

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. See accounting policy for these contracts under note 2.6. 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.

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

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.

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

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

NOTES (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 INSURANCE CONTRACTS (Continued)

(b) Recognition and measurement

i) Gross earned 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, gross earned 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 and policyholders benefits payable

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 recorded 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 and deferred acquisition costs ("DAC")

Commissions earned and payable are recognised in the period in which the relevant premium are written.

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).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 INSURANCE CONTRACTS (Continued)

(b) Recognition and measurement (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 receivables are impaired, the Group reduces the carrying amount of the insurance receivables accordingly and recognises that impairment loss in the income profit and loss account. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets.

vii) Salvage and subrogation reimbursements

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

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is 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.

NOTES (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 REVENUE RECOGNITION

i) Insurance premium revenue

The revenue recognition policy relating to insurance contracts is set out under note 2.4 (b) i).

ii) Non interest income from financial investments

The revenue recognition policy for non interest income from financial investments is disclosed in note 2.10 (b).

iii) Interest income and expenses

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

iv) Dividend income

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

v) Rental income from investment properties

Rental income is recognised in the period it is earned.

vi) Commission earned

The revenue recognition policy on commission is disclosed in note 2.4 (b) iii).

2.6 INVESTMENT CONTRACTS

The Group issues investment contracts with fixed and guaranteed terms. 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.

2.7 PROPERTY AND EQUIPMENT

All categories of property and equipment are initially recorded at cost. 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.

NOTES (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 PROPERTY AND EQUIPMENT (Continued)

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

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

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.

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.

2.8 INVESTMENT PROPERTY

Buildings, or part of a building, (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation 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 investment income in the profit and loss account.

2.9 INTANGIBLE ASSETS

i) Goodwill

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

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

ii) Computer software

Acquired computer software 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).

NOTES (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 FINANCIAL ASSETS

(a) Classification

T(a) Classification

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.

(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 Group 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.

(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 investments are those non-derivative financial assets that are not classified under any of categories (i) – (iii) above.

(b) Recognition and derecognition

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, transaction costs for all financial assets except those carried at fair value through profit or loss. 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.

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.

NOTES (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 IMPAIRMENT OF ASSETS

(a) Financial assets carried at amortised cost

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

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

The Group assesses whether objective evidence of impairment exists individually for financial assets. If there is objective evidence that an impairment loss has been incurred on loans and receivables or held-to-maturity investments carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss account. If a held-to-maturity investment or a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract.

As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the profit and loss account.

(b) Financial assets carried at fair value

The Group assesses at each balance sheet date whether there is objective evidence that an available-for-sale financial asset is impaired, including in the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in profit or loss – is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not subsequently reversed. The impairment loss is reversed through the profit and loss account, if in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account.

NOTES (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 IMPAIRMENT OF ASSETS (Continued)

(c) Impairment of other non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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 impairment are reviewed for possible reversal of the impairment at each reporting date.

2.12 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.13 HEDGE ACCOUNTING

The Group designates certain instruments as either: (i) hedges of the fair value of recognised assets or liabilities or of a firm commitment (fair value hedge); (ii) hedges of highly probable forecast transactions (cash flow hedges); or (iii) hedges of net investments in foreign operations (net investment hedge). As at the end of the year the Group had only designated a hedge of net investment in a foreign operation (see note 35).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are expected to be and have been highly effective in offsetting changes in fair values or cashflows of hedged items. Movements on the hedging reserve in shareholders' equity are shown in Note 35.

Net investment hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as a net investment hedge is recognised in equity. The gain or loss relating to any ineffective portion is recognised immediately in the profit and loss account within 'net fair value gains on financial assets at fair value through profit or loss'. Gains and losses accumulated in equity are included in the income statement on disposal of the foreign operation.

2.14 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 are 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.

NOTES (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5 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.

2.16 EMPLOYEE BENEFITS

(i) Retirement benefit obligations

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

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

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

(ii) Other entitlements

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

2.17 INCOME TAX EXPENSE

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 utilised.

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.

NOTES (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 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 liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.19 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.

2.20 SHARE CAPITAL

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

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. The critical accounting estimates and assumptions applied in the year are:

(a) 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.

(b) Insurance contracts

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

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

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

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

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.

The valuation techniques are consistent with the previous years and include valuation on net assets bases as well as multiples of price earning ratio.

(c) Income tax

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

(d) Impairment of available-for-sale financial assets

The Group determines that available-for-sale financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows. Had all the declines in fair values below cost been considered significant or prolonged, the Group would suffer an additional Shs 532 million loss in its 2008 financial statements, being the transfer of the total equity reserve for unrealised losses to the profit and loss account.

(e) Valuation of investment property

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

NOTES (Continued)

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 debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the identification and management of risks and seeks to minimise potential adverse effects on its financial performance, by use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients, and defined criteria for the approval of intermediaries and reinsurers. 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:

(I) Insurance risk

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

For 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 maximum insured loss (sum assured) by the class of business in which the contract holder operates in the terms of the policy. The amounts are the carrying amounts of the insurance liabilities (gross and net of reinsurance) arising from insurance contracts:

NOTES (Continued)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

Group

Year ended 31st December, 2008

Maximum Insured loss

Total		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
Class of business						
General Insurance Business						
Motor	Gross	15,457,386	55,486,277	44,199,920	43,115,173	158,258,756
	Net	11,197,129	21,025,012	2,319,333	732,008	35,273,482
Fire	Gross	7,557,615	33,607,167	34,300,754	55,278,351	130,743,887
	Net	7,213,987	22,329,011	6,829,208	10,595,398	46,967,604
Personal accident	Gross	88,461,115	64,101,841	21,148,292	10,498,567	184,209,815
	Net	49,250,788	39,456,680	485,961	22,519	89,215,948
Other	Gross	15,757,930	26,972,876	69,131,256	29,992,977	141,855,039
	Net	12,403,463	12,759,528	29,429,443	245,835	54,838,269
Life assurance business						
Ordinary life	Gross	9,374,439	270,000	-	-	9,644,439
	Net	7,456,999	-	-	-	7,456,999
Group life	Gross	50,744,217	4,666,905	-	-	55,411,122
	Net	21,836,325	238,557	-	-	22,074,882
Total	Gross	187,352,702	185,105,066	168,780,222	138,885,068	680,123,058
	Net	109,358,691	95,808,788	39,063,945	11,595,760	255,827,184

NOTES (Continued)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

Year ended 31st December, 2007

Maximum Insured loss

Total		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
Class of business						
General Insurance Business						
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	61,922,781	6,084,511	-	-	68,007,292
	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	148,194,183	65,676,069	76,324,745	63,538,429	353,733,426
	Net	43,097,378	27,979,949	6,738,224	6,715,711	84,531,262

(III) Financial risk management

The Group is exposed to financial risk through its financial assets, financial liabilities (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. This component is described under note 4(c).

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 liabilities are interest rate risk and equity price risk.

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

Other financial risks relate to market risk and credit risk and have been described below.

(a) Market risk

i) Foreign exchange risk

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.

NOTES (Continued)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

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

Group

At 31st December, 2008, if the Shilling had weakened/strengthened by 10% against the US dollar with all other variables held constant, the impact on consolidated post tax profit for the year would have been negligible (2007: 1% - Shs 5.8 million), mainly as a result of US dollar receivables and bank balances.

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

Company

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

At 31st December, 2008, if the Shilling had weakened/strengthened by 10% against the US dollar with all other variables held constant, post tax profit for the year would have been negligible (2007: 1% - negligible), mainly as a result of US dollar receivables and bank balances.

ii) Price risk

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).

Group

At 31st December, 2008, if the NSE Index had increased/decreased by 20% (2007: 1%) with all other variables held constant and all the Group's equity instruments moved according to the historical correlation to the index, and equity would have been Shs 384 million higher/lower (2007: Shs 24.6 million higher/ lower).

Company

At 31st December, 2008, if the NSE Index had increased/decreased by 20% (2007: 1%) with all other variables held constant and all the Company's equity instruments moved according to the historical correlation to the index, equity would have been Shs 76 million higher/lower (2007: no material effect).

iii) Cash flow and fair value interest rate risk

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

iv) Interest rate risk

Group

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 Group. The level of the reduction of the level of interest rate that will trigger an adjustment is an interest rate of 1% (2007: 0.50%). An additional liability of Shs 50 million (2007: Shs 160 million) would be required as a result of a further reduction of 100 basis points in the level of interest rate.

NOTES (Continued)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

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.

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.

(b) Credit risk

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. Respective managements 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 amount that best represents the Group's and Company's maximum exposure to credit risk at 31st December, 2008 is made up as follows:

	Group		Company	
	2008	2007	2008	2007
	Shs '000	Shs '000	Shs '000	Shs '000
Receivables arising out of reinsurance arrangements	640,796	375,465	-	-
Receivables arising out of direct insurance arrangements	913,739	826,848	-	-
Reinsurers' share of insurance liabilities	1,417,278	1,255,875	-	-
Government securities held to maturity	3,038,667	3,775,509	-	-
Commercial bond	10,110	21,717	-	-
Bank balance	778,368	432,756	2,932	2,007
Loans on life insurance policies	189,895	182,582	-	-
Mortgage loans	41,345	82,608	-	-
Deposits with financial institutions	2,818,292	1,784,078	9,820	4,974
Other receivables	309,322	258,469	3,656	9
Totals	10,157,812	8,995,907	16,408	6,990

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

NOTES (Continued)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

Financial assets that are past due or impaired

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

	Direct Insurance		Reinsurance	
	2008	2007	2008	2007
	Shs '000	Shs'000	Shs '000	Shs'000
Neither past due nor impaired	543,168	55,981	520,197	102,461
Past due but not impaired	429,742	716,663	10,153	118,660
Impaired	100,080	144,439	137,573	196,558
Gross	1,072,990	917,083	667,923	417,679
Less: allowance for impairment	(159,251)	(90,235)	(27,127)	(42,214)
Net	913,739	826,848	640,796	375,465

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

	2008	2007
	Shs'000	Shs'000
Past due but not impaired:		
- by up to 30 days	158,941	60,474
- by 31 to 60 days	61,786	41,097
- by 61 to 150 days	100,686	443,376
- by 151 to 360 days	108,329	171,716
Total past due but not impaired	429,742	716,663

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

No collateral is held in respect of receivables arising out of direct or reinsurance arrangements.

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:

Group	2008	2007
	Shs'000	Shs'000
Individually assessed impaired receivables		
- brokers	49,023	64,743
- agents	17,934	27,595
- insurance companies	6,562	5,794
- direct clients	26,561	46,307
Total	100,080	144,439

NOTES (Continued)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

(c) 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	2008 Total
As at 31st December, 2008:	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
LIABILITIES						
Insurance contract liabilities	-	-	1,546,142	-	4,237,846	5,783,988
Payable under deposit administration contracts	-	-	-	-	5,967,517	5,967,517
Creditors arising out of reinsurance arrangements	-	-	765,071	-	-	765,071
Other payables	976,763	-	-	-	-	976,763
Dividends payable	-	-	38,332	54,205	-	92,537
Borrowings	945	-	-	1,240,050	-	1,240,995
Total liabilities	977,708	-	2,349,545	1,294,255	10,205,363	14,826,871

	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	-	-	69,516	-	-	69,516
Borrowings	22,037	-	-	1,248,388	-	1,270,425
Total liabilities	353,426	339,498	2,181,552	1,248,388	8,259,489	12,382,353

NOTES (Continued)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

(c) Liquidity risk (Continued)

Company

	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	2008 Total Shs'000
As at 31st December, 2008:	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
LIABILITIES						
Other payables	3,245	-	-	-	-	3,245
Due to related parties	140,539	-	-	-	-	140,539
Dividends payable	92,536	-	-	-	-	92,536
Bank overdraft	7	-	-	-	-	7
Total liabilities	236,327	-	-	-	-	236,327

	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	2007 Total Shs'000
As at 31st 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
Borrowings	16	-	-	-	-	16
Total liabilities	609,087	-	-	-	-	609,087

(III) Fair values of financial assets and liabilities

The fair value of held-to-maturity investment securities at 31st December, 2008 is estimated to be the carrying value of Shs 3.0 billion (2007 Shs 3.4 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.

(d) Capital risk management

The Group's objectives when managing capital are:

- To comply with the insurance capital requirements that the regulators of the insurance markets where the Group operates. In this respect the Group manages its capital on a basis of 42% of its minimum regulatory capital position presented in the table below. Management considers the quantitative threshold of 42% sufficient to maximise shareholders' return and to support the capital required to write each of its businesses in the countries where the Group operates;
- To safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for 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. In each country in which the Group operates, the local insurance regulator specifies the minimum amount and type of capital that must be held by each of the subsidiaries in addition to their insurance liabilities. The minimum required capital (presented in the table below for each of the businesses) must be maintained at all times throughout the year. The Group is subject to insurance solvency regulations in all the countries in which it issues insurance and investment contracts, and it has complied with all the local solvency regulations. The Group has embedded necessary tests to ensure continuous and full compliance with such regulations.



NOTES (Continued)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

(d) Capital risk management (Continued)

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

	2008				2007			
	Kenya Shs '000	Uganda Shs '000	Tanzania Shs '000	Total Shs '000	Kenya Shs '000	Uganda Shs '000	Tanzania Shs '000	Total Shs '000
Regulatory capital held	450,000	86,821	123,843	660,664	450,000	86,821	124,393	661,214
Minimum regulatory capital	150,000	75,169	55,042	280,211	150,000	75,169	55,286	280,455

The Group has different requirements depending on the country in which it operates.

The three main countries are Kenya, Uganda and Tanzania

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

General insurance businesses are required to keep a solvency margin, i.e. admitted assets less admitted liabilities, equivalent to the higher of 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.

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

In Tanzania, the Group is required to hold regulatory capital for its general insurance business in compliance with the rules issued by the Insurance regulator as per Government notice published on 25 March 2003 and Government notice 189 published on 9 July 2003.

All statutory requirements under the Insurance Act in the respective countries have been fulfilled.

NOTES (Continued)

5. SEGMENT INFORMATION

(a) 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:

	2008 Shs'000	2007 Shs'000
Short-Term insurance business:		
Motor	1,168,322	923,905
Fire	614,843	501,087
Personal accident and medical	1,809,348	1,363,085
Others	1,252,438	683,401
Total Short-Term insurance business	4,844,951	3,471,478
Long-Term insurance business:		
Ordinary life	387,872	285,539
Group life and other superannuation	621,815	470,581
Total Long-Term insurance business	1,009,687	756,120
Total Short-Term insurance business	5,854,638	4,227,598

The segment results for the year ended 31st December 2008 are as follows:

	Short-Term Business Shs '000	Long-Term Business Shs '000	Others Shs '000	Total Shs '000
Gross insurance premium revenue	4,844,951	1,009,687	-	5,854,638
Insurance premium ceded to reinsurers	(1,605,465)	(125,887)	-	(1,731,352)
Investment income and gains	638,347	1,101,280	-	1,739,627
Fair value losses on equity investments at fair value through profit and loss	-	(508,779)	-	(508,779)
Other income and commission earned	413,208	17,164	-	430,372
Income net of reinsurance ceded	4,291,041	1,493,465	-	5,784,506
Gross benefits and claims from insurance contracts	2,667,393	1,231,199	-	3,898,592
Insurance benefits and claims recovered from reinsurers	(600,941)	(113,964)	-	(714,905)
Other expenses	1,464,203	335,879	55,656	1,855,738
Expenses	3,530,655	1,453,114	55,656	5,039,425
Results of operating activities	760,386	40,351	(55,656)	745,081
Share of profit of associates	-	-	155,611	155,611
Profit before tax	760,386	40,351	99,955	900,692
Income tax expense	(151,901)	(8,697)	(26,859)	(187,457)
Profit for the year	608,485	31,654	73,096	713,235

NOTES (Continued)

5. SEGMENT INFORMATION (Continued)

(a) Primary reporting format - business segments (Continued)

The segment results for the year ended 31st 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	734,131	381,743	1,503,204
Other income and commission earned	255,354	16,564	-	271,918
Income net of reinsurance ceded	3,061,071	1,393,839	381,743	4,836,653
Gross benefits and claims from insurance contracts	2,068,310	1,002,559	-	3,070,869
Insurance benefits and claims recovered from reinsurers	(407,084)	(32,822)	-	(439,906)
Other expenses	960,629	324,102	158,573	1,443,304
Expenses	2,621,855	1,293,839	158,573	4,074,267
Results of operating activities	439,216	100,000	223,170	762,386
Share of profit of associates	-	-	47,180	47,180
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

Other segment items included in the income statement for the year 31st December, 2008 are as follows:

	Short-Term Business Shs '000	Long-Term Business Shs '000	Others Shs '000	Total Shs '000
Depreciation (note 17)	21,451	35	-	21,486
Impairment of premium receivables	32,666	-	-	32,666

Other segment items included in the income statement for the year 31st 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)

NOTES (Continued)

5. SEGMENT INFORMATION (Continued)

(a) Primary reporting format –business segments (Continued)

	Short-Term Business Shs '000	Long-Term Business Shs '000	Others Shs '000	Total Shs '000
Investment in associates	875,560	169,268	1,178,775	2,223,603
Quoted shares	587,781	2,668,151	669,355	3,925,287
Government securities held to maturity	665,934	2,372,733	-	3,038,667
Reinsurers'share of technical provisions and reserves	1,360,336	56,942	-	1,417,278
Other assets	4,845,565	2,085,825	2,666,599	9,597,989
Total assets	8,335,176	7,352,919	4,514,729	20,202,824
Insurance liabilities	4,156,915	10,470,354	-	14,627,269
Other liabilities	744,225	1,373,506	253,236	2,370,967
Total liabilities	4,901,140	11,843,860	253,236	16,998,236
Capital expenditure	-	11,651	-	11,651

The segment assets and liabilities at 31st 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	3,215	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	7,191,553
Total assets	5,939,391	8,235,224	3,767,846	17,942,461
Insurance liabilities	4,308,133	7,950,299	-	12,258,432
Other liabilities	695,878	114,318	1,011,061	1,821,257
Total liabilities	5,004,011	8,064,617	1,011,061	14,079,689
Capital expenditure	7,297	2,376	-	9,673

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 2008 was only 2.6 % (2007:3.0%) of the total.

The following is the geographical segment information:

	Gross earned premium		Investment income		Total assets		Capital expenditure	
	2008	2007	2008	2007	2008	2007	2008	2007
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Kenya	3,881,801	2,894,453	1,501,546	1,324,827	15,577,535	14,128,739	3,741	6,159
Uganda	1,065,307	621,182	178,164	164,251	2,893,565	2,326,866	3,599	2,782
Tanzania	907,530	711,963	55,121	22,779	1,702,361	1,347,033	4,311	577
Mauritius	-	-	4,796	21,822	29,364	139,824	-	155
India	-	-	-	21	-	-	-	-
Total	5,854,638	4,227,598	1,739,627	1,533,700	20,202,825	17,942,462	11,651	9,673

6. GROSS EARNED PREMIUM

Gross earned premium for the year ended 31st December, 2008

(i) Short-Term business

Premium earned by principal class of business:

	Gross Shs'000	Reinsurance Shs'000	Net Shs'000
- Motor	1,168,322	535,044	633,278
- Fire	614,843	321,031	293,812
- Personal accident and medical	1,809,348	28,286	1,781,062
- Others	1,252,439	721,104	531,335
Total short-term	4,844,952	1,605,465	3,239,487

(ii) Long-Term business

Premium earned by principal class of business:

	Gross Shs'000	Reinsurance Shs'000	Net Shs'000
- Ordinary life	398,744	11,965	386,779
- Group life and other superannuation	610,942	113,922	497,020
Total Long-Term	1,009,686	125,887	883,799
Total Short-Term and Long-Term	5,854,638	1,731,352	4,123,286

NOTES (Continued)

6. GROSS EARNED PREMIUM (Continued)

Gross earned premium for the year ended 31st 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
- Group life and other superannuation	470,581	108,946	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

7. INVESTMENT INCOME

	2008 Shs'000	2007 Shs'000
Mortgage loan interest	12,146	6,014
Bank deposit interest	220,839	176,409
Government securities interest	410,074	413,727
Interest on policy loans	24,805	26,472
Dividends receivable from equity investments	202,829	130,562
Rental income from investment properties (net of expenses)	197,014	232,221
Gain on sale of investments	119,758	460,008
Fair value gain on investment properties [note 18(a)]	553,000	48,358
Exchange loss	(13,832)	(46,655)
Other income	12,994	86,584
Total	1,739,627	1,533,700

Included in rental income above are property running expenses of Shs 118,897,000 (2007: Shs 112,645,000).

NOTES (Continued)

8. CLAIMS AND POLICYHDLDER BENEFITS PAYABLE

Claims and policy holder benefits for the year ended 31st December, 2008

i) Short-Term business

Claims payable by principal class of business:

	Gross	Reinsurance	2008 Net
	Shs'000	Shs'000	Shs'000
- Motor	937,452	309,496	627,956
- Fire	192,385	140,665	51,720
- Personal accident and medical	1,150,286	3,207	1,147,079
- Others	387,270	147,573	239,697
Total	2,667,393	600,941	2,066,452

ii) Long-Term business

Claims payable by principal class of business:

	Gross	Reinsurance	Net
	Shs'000	Shs'000	Shs'000
- Ordinary life	292,218	[1,609]	293,827
- Interest payable on deposit administration contracts	628,693	-	628,693
- Group life and other superannuation	310,288	115,573	194,715
Total Long-Term	1,231,199	113,964	1,117,235
Total Short-Term and Long-Term business	3,898,592	714,905	3,183,687

Claims and policy holder benefits for the year ended 31st December, 2007

i) Short-Term business

Claims payable by principal class of business:

	Gross	Reinsurance	2007 Net
	Shs'000	Shs'000	Shs'000
- Motor	490,066	52,792	437,274
- Fire	222,333	152,250	70,083
- Personal accident and medical	1,001,109	63,888	937,221
- Others	354,802	138,154	216,648
Total	2,068,310	407,084	1,661,226

ii) Long-Term business

Claims payable by principal class of business:

	Gross	Reinsurance	Net
	Shs'000	Shs'000	Shs'000
- Ordinary life	181,907	[514]	182,421
- Interest payable on deposit administration contracts	433,251	-	433,251
- Group life and other superannuation	387,401	33,336	354,065
Total Long-Term	1,002,559	32,822	969,737
Total Short-Term and Long-Term business	3,070,869	439,906	2,630,963

NOTES (Continued)

9. OPERATING EXPENSES

The following items have been included in operating expenses:

	2008 Shs'000	2007 Shs'000
Employee benefits expense (note 10)	531,881	455,388
Auditors' remuneration	12,405	9,018
Depreciation [Note 17]	21,486	26,541
Impairment charge for doubtful premium receivables	32,666	(9,034)
Operating lease rentals - land and buildings	87,534	46,243
Repairs and maintenance expenditure	12,340	7,460

10. EMPLOYEE BENEFITS EXPENSE

	2008 Shs'000	2007 Shs'000
Wages and salaries	446,618	408,511
National Social Security Fund	12,495	4,745
Retirement benefit costs - defined contribution plan	1,607	14,611
Other benefits	51,161	27,521
Total	531,881	455,388

The number of persons employed by the Group at year-end was 348 (2007: 324).

11. INCOME TAX EXPENSE

Group	2008 Shs'000	2007 Shs'000
Current income tax	158,298	144,831
Deferred income tax [Note 26(a)]	29,159	1,664
Total	187,457	146,495

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:

	2008 Shs'000	2007 Shs'000
Profit before income tax	900,692	809,566
Tax calculated at 30% (2007: 30%)	270,207	242,870
Effect of :		
Income not subject to income tax	(97,806)	(130,280)
Expenses not deductible for tax purposes	18,177	22,325
Others	(3,121)	11,580
Income tax charge	187,457	146,495

NOTES (Continued)

12. SHARE CAPITAL

The total authorised number of ordinary shares is 45,000,000 (2007: 45,000,000) with a par value of Shs 5 per share.

At 31st December 2008, 45,000,000 ordinary shares were in issue (2007: 45,000,000 ordinary shares). All issued shares are fully paid.

	Number of shares		Share capital	
	2008	2007	2008	2007
	'000	'000	Shs'000	Shs'000
Ordinary shares of Shs 5 each				
Authorised	45,000	45,000	225,000	225,000
Issued and fully paid				
At start of year	45,000	36,000	225,000	180,000
Bonus issue of shares	-	9,000	-	45,000
At end of year	45,000	45,000	225,000	225,000

13. RESERVES (RESTATED)

(a) Group

Fair value reserves for available-for-sale investments

	2008	2007
	Shs'000	Shs'000
As previously stated	751,387	849,532
Elimination of fair value reserves*	-	128,630
As restated	751,387	978,162
Fair value loss on quoted shares (note 19 (a))	(967,246)	(174,504)
Impairment of equity investments	(102,330)	-
Fair value (loss)/gain from others	(214,618)	(87,621)
Fair value gains on unquoted shares (note 20(a))	1,300	35,350
At end of year	(531,507)	751,387

*The transfer from retained earnings relates to a release of fair value reserves on disposal of unquoted shares in previous years.

The fair value reserve is non-distributable.

Group and Company

General reserves

	2008	2007
	Shs'000	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.

Translation reserves

	2008	2007
	Shs'000	Shs'000
At start of year	(70,529)	(55,818)
Net translation gain/(loss)	102,725	(14,711)
At end of year	32,196	(70,529)

NOTES (Continued)

13. RESERVES (Continued)

(a) Group (Continued)

Contingency reserves

	2008	2007
	Shs'000	Shs'000
At start of year	148,515	-
Net movement within the year	37,885	148,515
At end of year	186,400	148,515

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

(b) Company

Fair value reserves

	2008	2007
	Shs'000	Shs'000
At start of year	522,534	390,118
Fair value (loss)/gain on quoted shares (note 19 (b))	(165,341)	95,248
Transfer of revaluation loss to retained earnings	35,320	-
Release of revaluation reserve on disposal of associate/ unquoted shares	(479,048)	-
Fair value gain on unquoted shares (note 20 (b))	70,680	37,168
At end of year	(15,855)	522,534

The fair value reserve is non-distributable.

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

	2008	2007
	Shs'000	Shs'000
At start of year	4,901,386	3,886,257
Pension fund deposits received	1,312,065	1,006,035
Surrenders and annuities paid	(873,981)	(423,784)
Interest credited to deposit administration policyholders	628,693	433,251
Translation loss	(646)	(373)
At end of year	5,967,517	4,901,386

CMA-LIBRARY

NOTES (Continued)

15. INVESTMENT IN ASSOCIATED COMPANIES AND SUBSIDIARIES

(i) INVESTMENT IN ASSOCIATED COMPANIES

Group

	2008	2007	2008	2007
	Shs'000	Shs'000	% Equity Held	% Equity Held
Share of net assets in:				
IPS Power Investment Limited	169,268	148,899	27.00	27.00
Property Development and Management Limited	875,560	740,318	37.10	37.10
Bujagali Holding Power Company Limited	1,178,775	960,928	25.00	25.00
Total	2,223,603	1,850,145		

IPS Power Investment Limited is an investment vehicle company, which through its subsidiary has invested in the equity of Tsavo Power Company Limited that generates electricity for sale. Bujagali Holding Power Company Limited is also an investment vehicle company which through its subsidiary has invested in the equity of Bujagali Energy Limited an electricity generating company in Uganda. Property Development and Management Limited conducts property investment, development and management.

Movements of net assets during the year

Group	2008	2007
	Shs'000	Shs'000
At start of year	1,850,145	1,012,347
Acquisition of an associate	264,707	960,928
Disposal of associate	-	(148,422)
Share of result of associate	155,611	47,180
Dividends received	(46,860)	(21,888)
At end of year	2,223,603	1,850,145

(ii) INVESTMENT IN SUBSIDIARIES

Company

	Country of Incorporation	2008	2007	2008	2007
		Shs'000	Shs'000	% Equity Held by Group	% 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
The Jubilee Investment Company of Tanzania Limited	Tanzania	298	-	100	-
Total		670,882	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

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		
Group	2008	2007
	Shs'000	Shs'000
Gross premium:		
Diamond Trust Bank Kenya Limited	16,209	17,738
Jubilee Holdings Limited	2,541	
Industrial Promotion Services (Kenya) Limited	144,026	126,893
TPS Eastern Africa Limited	6,900	9,980
Property Development and Management Limited	823	3,553
Total	170,499	158,164
Net claims incurred:		
Diamond Trust Bank Kenya Limited	10,801	9,417
Industrial Promotion Services (Kenya) Limited	20,940	24,993
TPS Eastern Africa Limited	4,941	563
Property Development and Management Limited	1,407	3,056
Total	38,089	38,029
Services received from:		
Industrial Promotion Services (Kenya) Limited	2,632	2,961
TPS Eastern Africa Limited	3,440	2,633
Property Development and Management Limited	8,576	8,450
Total	14,648	14,044
ii) Balances with related parties		
a) Group		
Outstanding premium:		
Diamond Trust Bank Kenya Limited	13	4,014
Industrial Promotion Services (Kenya) Limited	19,146	7,063
TPS Eastern Africa Limited	131	48
Property Development and Management Limited	29	824
Total	19,319	11,949
Outstanding claims:		
Diamond Trust Bank Kenya Limited	4,809	1,413
Industrial Promotion Services (Kenya) Limited	34,295	31,935
TPS Eastern Africa Limited	2,808	4,478
Property Development and Management Limited	513	520
Total	42,425	38,346
Deposits with financial institutions		
Diamond Trust Bank Kenya Limited	808,255	1,080,697
Total	808,255	1,080,697
Interest received from financial institutions		
Diamond Trust Bank Kenya Limited	148,679	102,386
Total	148,679	102,386
Commercial bonds (Debentures)		
Diamond Trust Bank Kenya Limited	-	1,879
Total	-	1,879
b) Company		
Deposit with financial institutions		
Diamond Trust Bank Kenya Limited	3,505	-
Total	3,505	-
Due to related parties		
The Jubilee Insurance Company of Tanzania Limited	1,480	782
The Jubilee Insurance Company of Uganda Limited	9,876	-
The Jubilee Insurance Company of Kenya Limited	128,886	533,928
The Jubilee Investment Company of Tanzania Limited	297	-
Total	140,539	534,710
Due from related parties		
Jubilee Insurance Mauritius Limited	36,445	36,445
The Jubilee Insurance Company of Uganda Limited	-	6,057
The Jubilee Investment Company of Uganda Limited	179,454	131,558
Total	215,899	174,060

NOTES (Continued)

16. RELATED PARTY TRANSACTIONS (Continued)

(iii) Key management compensation

	Group		Company	
	2008	2007	2008	2007
	Shs'000	Shs'000		
Salaries and other employment benefits	78,805	109,952		

(iv) Directors' Remuneration

Group				
Fees for services as directors	1,137	1,070	820	820
Other emoluments (included in key management compensation above)	11,431	24,932	-	-
Total	12,568	26,002	820	820

There were no loans given to Directors in the year ended 31st December, 2008 (2007: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 31st December, 2008				
Cost				
At start of year	146,754	26,443	136,858	310,055
Additions	6,915	3,498	1,239	11,652
Disposals	(4,585)	(492)	(1,270)	(6,347)
Exchange adjustment	2,404	1,353	2,621	6,378
At end of year	151,488	30,802	139,448	321,738
Depreciation				
At start of year	139,553	17,705	98,715	255,973
Charge for the year	9,041	3,523	8,922	21,486
On disposals	(4,358)	(295)	(952)	(5,605)
Exchange adjustment	2,382	1,115	1,650	5,147
At end of year	146,618	22,048	108,335	277,001
Net book value				
At 31st December, 2008	4,870	8,754	31,113	44,737

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 31st 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 31st December, 2007	7,201	8,738	38,143	54,082

18. INVESTMENT PROPERTIES

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 Shs760m (2007: Shs 750m).

(a) Group

	2008 Shs'000	2007 Shs'000
At start of year	1,946,014	1,944,790
Additions	-	-
Disposals	(26,574)	(45,000)
Exchange difference	(1,050)	(2,134)
Fair value gains (note 7)	553,000	48,358
At end of year	2,471,390	1,946,014

(b) Company

	2008 Shs'000	2007 Shs'000
At start of year	750,000	730,000
Fair value gains	10,000	20,000
At end of year	760,000	750,000

NOTES (Continued)

19. QUOTED SHARES

(a) Group

	2008	2007
	Shs'000	Shs'000
At start of year	3,869,379	3,281,868
Additions	3,246,226	3,022,225
Disposals	(1,519,067)	(2,088,487)
Exchange difference	(915)	(38,882)
Fair value losses on available-for-sale investments (note 13(a))	(967,246)	(174,505)
Fair value losses on equity investments through profit and loss account	(102,330)	-
Fair value losses on equity investments at fair value through profit and loss	(600,760)	(132,840)
At end of year	3,925,287	3,869,379

(b) Company

	2008	2007
	Shs'000	Shs'000
At start of year	602,119	243,363
Additions	309,497	267,610
Disposals	(348,498)	(4,102)
Fair value (losses)/gains on available-for-sale investments (note 13 (b))	(165,341)	95,248
At end of year	397,777	602,119

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 30th March 2009 for the group was Shs 2,970,776,466 (2007: Shs. 3,524,078,542).

20. UNQUOTED SHARES

(a) Group

	2008	2007
	Shs'000	Shs'000
At start of year	1,076,079	671,650
Additions	19,720	282,983
Exchange difference	2,965	(849)
Fair value gains available-for-sale investments (note 13(a))	1,300	35,350
Fair value gains on equity investments at fair value through profit and loss	91,981	86,945
At end of year	1,192,045	1,076,079

NOTES (Continued)

20. UNQUOTED SHARES (Continued)

(b) Company

	2008	2007
	Shs'000	Shs'000
At start of year	809,380	438,065
Additions	19,721	334,147
Transfer to The Jubilee Insurance Company of Kenya Ltd	(553,510)	-
Fair value gains available-for-sale investments (note 13(b))	70,680	37,168
At end of year	346,271	809,380

21. LOANS RECEIVABLE

(i) MORTGAGE LOANS

Group

	2008	2007
	Shs'000	Shs'000
At start of year	82,608	45,241
Loans advanced	11,101	46,052
Interest and penalties	13,623	7,899
Less: Provision for impairment losses during the year	(1,113)	(1,763)
Redemptions/repayments	(64,874)	(14,583)
Exchange difference	-	(238)
At end of year	41,345	82,608

The mortgage loan balances are made up as follows:

Gross mortgage loans	94,837	139,987
Provision for impairment	(53,492)	(57,379)
Net mortgage loans	41,345	82,608

Maturity profile of mortgage loans

Group

	2008	2007
	Shs'000	Shs'000
Loans maturing		
Within 1 year	1,600	1,734
In 1-5 years	24,183	76,462
In over 5 years	15,562	4,412
Total	41,345	82,608

Lending commitments

There were no mortgage loans approved by the directors but not advanced at 31st December, 2008 (2007: Nil).

NOTES (Continued)

21. LOANS RECEIVABLE (Continued)

(ii) LOANS ON LIFE INSURANCE POLICIES

Group	2008 Shs'000	2007 Shs'000
At start of year	182,582	177,443
Loans advanced	76,575	65,488
Interest	25,290	27,090
Loan repayments	(94,806)	(87,384)
Impairment charge /(credit)	254	(55)
At end of year	189,895	182,582

Maturity profile of policy loans

Group	2008 Shs'000	2007 Shs'000
Loans maturing		
Within 1 year	29,688	28,388
In 1-5 years	108,798	90,659
In over 5 years	51,409	63,535
Total	189,895	182,582

22. REINSURERS' SHARE OF TECHNICAL PROVISIONS AND RESERVES

Group	2008 Shs'000	2007 Shs'000
Reinsurers' share of:		
- Unearned premium (Note 31)	612,324	539,266
- Notified claims outstanding and IBNR (Note 30)	804,954	716,609
Total	1,417,278	1,255,875

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

23. DEFERRED ACQUISITION COSTS

Group	2008 Shs'000	2007 Shs'000
At start of year	42,387	48,518
Net increase/(decrease)	70,053	(6,131)
At end of year	112,440	42,387

NOTES (Continued)

24. GOVERNMENT SECURITIES HELD TO MATURITY

Group

	2008 Shs'000	2007 Shs'000
In Kenya:		
Treasury bills maturing within 91 days of the date of acquisition	167,261	59,727
Treasury bills maturing after 91 days of the date of acquisition	19,925	147,637
Treasury bonds maturing within 1 year	26,320	1,194,821
Treasury bonds maturing in 1-5 years	1,496,821	1,295,301
Treasury bonds maturing after 5 years	792,732	770,080
Outside Kenya:		
Treasury bonds maturing within 1 year	535,608	307,943
Total	3,038,667	3,775,509

25. CASH AND CASH EQUIVALENTS

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

Group

	2008 Shs'000	2007 Shs'000
Cash and bank balances	778,368	432,756
Short-term deposits with banks	2,818,292	1,762,361
Commercial bonds	10,110	21,717
Bank overdraft (Note 34)	(945)	(22,037)
Treasury bills maturing within 91 days of the date of acquisition (Note 24)	167,261	59,727
Total	3,773,086	2,254,524

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% (2007: 30%). The movement in the deferred income tax account is as follows:

(a) Group

	2008 Shs'000	2007 Shs'000
At start of year	158,299	156,635
Income statement charge	29,159	1,664
At end of year	187,458	158,299

NOTES (Continued)

26. DEFERRED INCOME TAX (Continued)

(a) Group (Continued)

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

	2008	2007
	Shs'000	Shs'000
Deferred income tax asset	(2,801)	(19,820)
Deferred income tax liability	190,259	178,119
Net deferred income tax liability	187,458	158,299

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:

	1.1.2008	Charged/(Credited) to profit and loss	31.12.2008
	Shs'000	Shs'000	Shs'000
Fair value gains on investment properties	180,580	42,900	223,480
Accelerated depreciation	(8,484)	(3,805)	(12,289)
Impairment provisions and other deductible temporary differences	(13,797)	(9,936)	(23,733)
Net deferred income tax liability	158,299	29,159	187,458

(b) Company

	2008	2007
	Shs'000	Shs'000
At start of year	119,683	113,683
Income statement charge	3,000	6,000
At end of year	122,683	119,683

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

	1.1.2008	Charged to profit and loss	31.12.2008
	Shs'000	Shs'000	Shs'000
Fair value gains - investment properties	117,973	3,000	120,973
Other deductible temporary differences	1,710	-	1,710
Net deferred income tax liability	119,683	3,000	122,683

NOTES (Continued)

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.

Group	2008	2007
Net profit attributable to Shareholders (Shs' 000)	636,241	616,846
Adjusted weighted average number of ordinary shares in issue (thousands)	45,000	45,000
Earnings per share (Shs)-Basic and diluted	14.14	13.71

There was no potentially dilutive shares in issue at 31st December, 2008 and 31st December, 2007. 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:

	2008 %	2007 %
Government securities	7.51	11
Deposits with financial institutions	8.29	10
Mortgage loans	14 to 16	14 to 16
Commercial bonds	-	9
Loans on life insurance policies	10 to 16	10 to 16
Payable under deposit administration contracts	8	12
Borrowings	5.3	7

Deposits with financial institutions have an average maturity of 6 months (2007: 3 months)

29. INSURANCE CONTRACT LIABILITIES

	2008 Shs'000	2007 Shs'000
Short term non-life insurance contracts		
- claims reported and claims handling expenses (Note 30)	1,941,381	1,824,919
- claims incurred but not reported (Note 30)	419,631	276,468
Total Short-Term	2,361,012	2,101,387
Long term insurance contracts		
- claims reported and claims handling expenses	187,965	167,361
- actuarial value of long term liabilities	3,235,011	2,794,830
Total Long-Term	3,422,976	2,962,191
Total gross insurance liabilities	5,783,988	5,063,578

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

NOTES (Continued)

29. INSURANCE CONTRACT LIABILITIES (Continued)

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 2008 and 2007 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.

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	2004	2005	2006	2007	2008	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Estimate of ultimate claims cost						
at end of accident year	1,167,349	274,329	672,727	696,382	2,448,950	5,259,736
one year later	393,790	358,509	539,974	1,068,529	-	2,360,803
two years later	221,204	88,215	939,503	-	-	1,248,922
three years later	121,800	582,300	-	-	-	704,100
four years later	238,267	-	-	-	-	238,267
Current estimate of cumulative claims	238,267	582,300	939,503	1,068,529	2,448,950	5,277,549
Less: cumulative payments to date	(1,073,802)	(450,446)	(712,466)	(515,016)	(164,807)	(2,916,537)
Total gross claims liability included in the balance sheet	(835,535)	131,854	227,037	553,513	2,284,143	2,361,012

ii) Long-Term insurance contracts

Actuarial liabilities based on generally accepted actuarial principles were computed as at 31st December, 2008. 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.

NOTES (Continued)

30. MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

Group

Short-Term insurance business

	2008			2007		
	Gross Shs'000	Reinsurance Shs'000	Net Shs'000	Gross Shs'000	Reinsurance Shs'000	Net Shs'000
Notified claims	1,778,121	174,810	1,603,311	1,672,718	670,546	1,002,172
Incurred but not reported	337,225	40,639	296,586	222,974	80,878	142,096
Total at start of the year	2,115,346	215,449	1,899,897	1,895,692	751,424	1,144,268
Cash paid for claims settled in year	(2,192,998)	(42,407)	(2,150,591)	(1,762,415)	(473,603)	(1,288,812)
Increase in liabilities						
arising from current year claims	3,009,734	844,265	2,165,469	2,247,118	477,315	1,769,803
arising from prior year claims	(571,070)	(212,353)	(358,717)	(279,009)	(38,527)	(240,482)
Total at the end of year	2,361,012	804,954	1,556,058	2,101,386	716,609	1,384,777
Notified claims	1,941,381	752,158	1,189,223	1,824,919	573,491	1,251,428
Incurred but not reported	419,631	52,796	366,835	276,468	143,118	133,350
Total at the end of year	2,361,012	804,954	1,556,058	2,101,387	716,609	1,384,778

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

	2008			2007		
	Gross Shs'000	Reinsurance Shs'000	Net Shs'000	Gross Shs'000	Reinsurance Shs'000	Net Shs'000
At start of year	1,718,880	539,266	1,179,614	1,284,865	466,301	818,564
Increase in the period (net)	391,813	73,058	318,755	434,015	72,965	361,050
At end of year	2,110,693	612,324	1,498,369	1,718,880	539,266	1,179,614

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 an interim dividend of Shs 45 million was paid (2007: Shs 45 million) or Shs 1.00 per share (2007: Shs 1.00 per share). At the Annual General Meeting to be held on 15th June, 2009 a final dividend of Shs 146.25 million (2007: Shs 146.25 million) is to be proposed, which is Shs 3.25 per share (2007: Shs 3.25). The total dividend is therefore Shs 191.25 million (2007: Shs 191.25 million) or Shs 4.25 per share (2007: 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.

NOTES (Continued)

33. CONTINGENT LIABILITIES

The Group companies are subject to litigation arising in the normal course of 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.

Treasury bonds of Shs 710 million are held under lien with the Central Bank of Kenya as security deposit in favour of the Commissioner of Insurance as required under the provisions of section 32 of the Kenyan Insurance Act.

34. BORROWINGS

The borrowings are made up as follows:

	2008	2007
	Shs'000	Shs'000
Bank overdraft	945	22,037
Bank borrowing	1,021,605	975,887
Total borrowing	1,022,550	997,924

The bank borrowing relates to a loan of USD 13 million advanced by Barclays Bank of Kenya Limited to The Jubilee Investments Company Limited (Uganda) to finance the Bujagali Hydro-electric project in Uganda. The loan attracts interest of 1.75% per annum above the USD LIBDR. The loan is secured by a corporate guarantee from the Company.

35. HEDGE AND TRANSLATION RESERVES

The group has hedged the foreign exchange movement of its investment in Bujagali Energy by undertaking an equivalent dollar denominated loan. The hedge is expected to be 87% effective for the next three year period. The net hedge reserve is included in the translation reserve. Below is the net hedge reserve:

Hedge reserve	2008	2007
	Shs'000	Shs'000
Loan translation difference	130,975	-
Translation reserve		
	2008	2007
	Shs'000	Shs'000
Currency translation difference	148,898	-
Balance of the hedge reserve	17,923	-

SUPPLEMENTARY INFORMATION

GROUP REVIEW—TEN YEARS

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
	Shs million									
Shareholders' Funds	2,871	3,606	3,393	2,370	2,094	2,029	1,711	1,555	1,619	1,809
Share Capital	225	225	180	180	180	180	180	180	180	180
Long-Term Business Funds	11,730	9,333	6,504	5,115	4,081	3,310	2,812	2,474	2,018	2,117
Total Assets	20,203	17,942	15,356	11,591	9,724	8,406	6,629	5,649	5,201	5,308
Total Investment Income	1,740	1,534	1,289	1,000	558	552	359	359	355	418
Profit Before Tax	901	810	665	471	359	313	213	170	117	139
Profit Attributable to Shareholders	636	617	528	348	241	213	164	121	78	94
Dividends to Shareholders	191	191	153	144	90	81	63	63	63	63
Dividend Cover Ratio	3.33	3.23	3.45	2.42	2.68	2.63	2.61	1.92	1.24	1.5
Bonus Issue	-	1:4	-	-	-	-	-	-	-	-
*Earnings Per Share ((Shs) (par value Shs 5))	14.14	13.71	11.73	7.73	5.36	4.73	3.64	2.69	1.73	2.09

* Earnings per share has been calculated on 45 million shares for all the years.

Supplementary Information

Additional Group Information

ADDITIONAL GROUP INFORMATION

KENYA

Nairobi

Head Office

Jubilee Insurance House, Wabera Street

P O Box 30376-00100, Nairobi, Kenya

Tel: 020 3281000

Fax: 020 3281150

Email: jic@jubileekenya.com

Mombasa

Jubilee Insurance Building, Moi Avenue, 3rd Floor

P O Box 90220-80100, Mombasa, Kenya

Tel: 041 2224286/2314019/2316760

Fax: 041 2316796

Email: mombasa@jubileekenya.com

Kisumu Branch

Jubilee Insurance House, Oginga Odinga Road

P O Box 378-40100, Kisumu, Kenya

Tel: 057 2020836/2020845

Fax: 057 2020532

Email: jubileeinsurance.kisumu@jubileekenya.com

Life Agency Offices

Nairobi

Jubilee Exchange Building, Mama Ngina Street, 3rd Floor

P O Box 30376-00100, Nairobi

Tel: 020 3281208/3281211

Nakuru

C K Patel Building, Kenyatta Avenue

P O Box 3057-20100, Nakuru

Tel: 051 2211119

Nyeri

Sohan Plaza, 3rd Floor

P O Box 1933-10100, Nyeri

Tel: 061 2034981/2034990

UGANDA

Kampala

IPS Building, Parliament Avenue

P O Box 10234, Kampala, Uganda

Telephone: + 006414 236029, 344949, 343743

Fax: +006414 347787/ 258539

Email: jicu@jubileeuganda.com

TANZANIA

Dar es Salaam

Head Office

TDFL Building, Phase II, Ohio Street, 3rd Floor

P O Box 20524, Dar es Salaam

Tel: + 255 22 2135121-4

Fax: + 255 22 2135116

Email: enquiry@jubileetanzania.com

Mwanza

Nyanza Co-operative Union Building

Kenyatta Road

P O Box 10456, Mwanza

Tel: + 255 28 2500822

Fax: + 255 28 2500238

Email: jicmw@jubileetanzania.com

Arusha

Ground Floor, Ngorongoro Wing

AICC Building

P O Box 1836, Arusha

Tel: + 255 27 2507307

Fax: + 255 27 2507341

Email: jicar@jubileetanzania.com

Mbeya

NBC (1997) Building, Ground Floor

Karume Avenue

P O Box 2182, Mbeya

Tel: + 255 25 2503172

Fax: + 255 25 2500299

Email: jicmb@jubileetanzania.com

Zanzibar

Ground Floor, ZSTC Building

P O Box 2344, Zanzibar

Tel: + 255 24 2239243

Fax: + 255 28 2239242

Email: jicnz@jubileetanzania.com

MAURITIUS

Port Louis

206 Pearl House, Sir Virgil Naz Street

Port Louis, Mauritius

Tel: + 230 210 0820

Fax: 212 7957



NOTES