Jubilee
HOLDINGS

LIVE FREE

EAST AFRICA'S No.1 INSURER

2011 | ANNUAL REPORT & FINANCIAL STATEMENTS

Jubilee HOLDINGS

VISION

Enabling people to overcome uncertainty

MISSION

Provide solutions to protect our customers

VALUES

Integrity, Passion, Excellence, Teamwork

CONTENT

GROUP INFORMATION

Capital and reserves	2011 Kshs' 000	2010 Kshs' 000
Authorised Capital	350,000	247,500
Issued Capital	272,250	247,500
Paid-up Capital	272,250	247,500
Retained Earnings	5,861,745	4,431,484

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

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

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

Auditor
KPMG Kenya

Corporate Lawyers
Daly & Figgis Advocates

Share Registrar
Jubilee Holdings Limited

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

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 74TH ANNUAL GENERAL MEETING of the Shareholders will be held at the Nairobi Serena, Kenyatta Avenue, on Wednesday May 23rd 2012 at 11:00 a.m. to transact the following business:

1. To consider and, if thought fit, to adopt the Consolidated Accounts for the year ended 31st December, 2011, the Report of the Directors and the Report of the Auditors thereon.

2. To confirm the payment of the interim dividend of 20% made on 07th October, 2011 and approve the payment of a final dividend of 90% on the issued and paid-up capital of the Company on or about 6th July, 2012 to the Shareholders registered as at 23rd May, 2012.

3. To elect the following Directors who retire by rotation:

   (a) Mr. Lutaf Kassam who, being eligible, offers himself for re-election

   (b) Dr. Ramadhani Dau who, being eligible, offers himself for re-election

4. To approve the Directors' remuneration.

5. To note that the auditors, KPMG Kenya, will continue in office in accordance with section 159 (2) of the Companies Act and to authorize the Directors to fix the Auditor's remuneration.

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

6. Bonus Issue
   "RESOLVED that, pursuant to Article 128 of the Articles of Association and subject to approval from the Capital Markets Authority and the Nairobi Securities Exchange, the retained profits amounting to Kshs 27,225,000 be capitalized and the Directors be and are hereby authorized and directed to utilize such sums to the holders of ordinary shares as at 23rd May 2012 and to apply such sum on behalf of such holders in paying up in full at par value 5,445,000 ordinary unissued shares in the capital of the Company, such shares to be allocated and credited as fully paid up to and amongst such holders in the proportion of One New Ordinary Share for every Ten Ordinary shares as held on 23rd May 2012 upon the terms that such new shares when issued shall not rank for dividend in respect of the year ended 31st December 2011 but shall rank, in all other respects, paripassu with the existing ordinary shares of the Company and the Directors be and are hereby authorized to do all acts required to give effect to this resolution and deal with fractions in such manner as they think fit subject always to the Articles of Association of the Company"

By order of the Board

Carolynne Ivy Ngana
Company Secretary
29th March, 2012

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 available on the Company's website www.jubileeinsurance.com

BOARD OF DIRECTORS

Nizar N. Juma

Mr. Juma is the Chairman of Jubilee Holdings Limited and its subsidiaries, and has served in this capacity since July 2004. He chairs the Company's Board Nominating and Human Resource Committee. Mr. Juma is also a Director of Diamond Trust Bank (DTB) and the regional Chairman of the Industrial Promotion Services group of companies.

John J. Metcalf

Mr. Metcalf was appointed to the Board in November 2006. He has had extensive international experience in the insurance industry, and is currently Head of Insurance for the Aga Khan Fund for Economic Development (AKFED). Mr. Metcalf sits on the Company's Board Audit and Compliance Committee, Board Finance Committee and Board Nominating and Human Resource Committee.

Tom D. Owuor

Mr. Owuor has served on the Board since 1998 and sits on the Company's Board Audit and Compliance Committee and Board Nominating and Human Resource Committee. Until 2004, he was the Executive Director of the Federation of Kenya Employers, a position he held from 1976. Mr. Owuor also sits on the Boards of various companies including the National Industrial Training Council, Sameer Africa Limited and the Institute of Policy Analysis and Research. He is the Honorary Consul of the New Zealand Government to the Republic of Kenya.

Lutaf R. Kassam

Mr. Kassam joined the Board in April 2006 and chairs its Finance Committee. Currently, he is the Group Managing Director of Industrial Promotions Services Limited (IPS) in East Africa. Mr. Kassam is responsible for AKFED's global portfolio on Industry and Infrastructure, and is a member of AKFED's Executive Committee. He is also a Director on the Board of Kenya Association of Manufacturers (KAM), East African Business Council (EABC), the first Vice Chairman of the Nairobi Stock Exchange (NSE) and a member of the National Economic and Social Committee (NESC) in Kenya.

Ivy C. Ngana

Mrs. Ngana is the Group Company Secretary and Head of Legal Affairs, Jubilee Holdings Ltd. Ivy is a Certified Public Secretary and holds a Masters degree in International Trade and Investment Law. She has previously worked for among others, the Capital Markets Authority in Kenya and Airtel Networks.

Sultan A. Allana

Mr. Allana was appointed a Director of the Company in April 2006, and is presently the Chairman of Habib Bank Limited as well as a Director of the Aga Khan Fund for Economic Development (AKFED) where he oversees AKFED's investments in the Financial Sector.

Sultan K. Khimji

Mr. Khimji joined the Board in 1998 and chairs its Audit and Compliance Committee. Since 1977, Mr. Khimji has served on the Boards of various banking and financial institutions, and is an Executive Director of Fidelity Commercial Bank.

Juma Kisaame

Mr. Kisaame joined the Board in June 2006, and is currently the Managing Director of DFCU Bank. Prior to joining DFCU, Mr. Kisaame was the Managing Director of the Eurafrican Bank in Tanzania. He sits on the Company's Board Audit and Compliance Committee.

Ramadhani K. Dau

Dr. Dau joined the Board in June 2006, and is currently the Director-General of the National Social Security Fund (NSSF) in Tanzania. Prior to his appointment at the NSSF in 2001, Dr. Dau held various academic posts at the University of Dar es Salaam. Dr. Dau sits on the Company's Board Finance Committee.

message from the Chairman

Dear Shareholders,

Notwithstanding exceptional challenges in the economy and in the business environment globally and locally, it gives me great pleasure to report that Jubilee Insurance once again reported a record operating profit in 2011. This performance was driven by an increase of 39% in Gross premiums to KShs 15.9 billion, with strong contributions from all countries and business lines. The Jubilee Group achieved a sound 4% increase in Pre-tax profit to KShs 2.14 billion, supported by impressive insurance operating results which saw underwriting profits increase by 14%to KShs 540 million in 2011. This is yet another record year for Jubilee as it moves towards its 75th birthday in August 2012.

In a year in which there was significant volatility in the financial markets, Jubilee's strategy of diversifying its investment and asset base into non-traditional areas provided an important cushion against shocks in the equity market and allowed our asset management to contribute to the increase in pre tax profits. During 2011, the key priorities we focused upon included a strong emphasis on customer focus and product innovation whilst deploying "best in class" technology solutions and increasing our regional footprint by adding new branches and building distribution capacity. Jubilee is the largest composite insurance company in Kenya, Uganda, Tanzania and overall in East Africa for four years running. Our new operations in Burundi and Mauritius are also growing at an impressive rate.

In 2011, Jubilee Kenya made a remarkable feat of winning 12 Insurance Industry Awards up from nine awards in 2010, accentuating its authority in the market. We won the Composite Underwriter of the Year Award, Medical Insurer Underwriter of the year Award, The Major Loss Settlement Award, the Best Risk Management Award and the Life Time Achievement Award. Jubilee also received runner up awards in seven other categories including General Insurer of the Year, The ICT, The Socially Responsible Corporate, Life Insurer of the Year, Marketing Initiative of the Year, Claims Settlement and the Training Awards. I am also happy to report that Jubilee Kenya won the "Overall Winner of the Claims Settlement Award" during the just concluded Association of insurance Brokers of Kenya's 4th AIBK BIMA Awards for Excellence.

12 insurance awards at the 2011 Insurance Industry Awards

2011 was an exceptionally tough year; however Jubilee maintained a sense of stability and was able to pursue growth strategies with confidence due to the strength of our business model. The Group also saw the benefits of its investment diversification strategy which allowed us to overcome some particularly challenging equity market conditions.

The regional insurance industry continues to face unique challenges including a substantial drop in the equity market, very low insurance penetration and banking legislation challenges like those restraining bancassurance. Despite these challenges, we strengthened our market leadership in each of our subsidiaries. We are particularly pleased with an impressive 14% increase in underwriting profits to KShs 540 million in 2011 from KShs 476 million in 2010, achieved as a result of enhanced focus on our core business activity, and first class risk management and selection practices.

In 2011, Jubilee continued its phased expansion campaign, strengthening its operations in Burundi and Mauritius, as it gears to expand into three additional countries by 2014 and at least 11 countries in Africa by 2020.

Jubilee's strong performance marks the success of your company's initiative to increase market share in the region. We consider it very important that our core insurance business contributes effectively to our group results and to enhance this, Jubilee is making significant investments in new operating systems and customer service capabilities. I am also pleased with an impressive increase in medical underwriting profits, a result of further improvements in case management protocols and claims service efficiency.

National economy

The global economy is stable, with the IMF projecting world economic growth in the region of 3.6% The Central Bank of Kenya (CBK) estimates Kenyan GDP to have grown by 4% - 4.5% in 2011, which is a slight reduction over the 2010 growth of 5.6%. Key drivers of the region's economic growth included improved performance by the agricultural and industrial sectors.

Inflationary pressures and exchange rate volatility escalated in 2011 as a result of a combination of domestic and international economic developments. Inflationary pressures peaked in response to increasing food and fuel prices due to persistently high international oil prices while pressure on the exchange rate was mainly attributed to uncertainty in the global financial market that was caused by the debt crisis in the eurozone. Average annual inflation was at 14.2% in December 2011, compared to 4% in 2010 while the Kenya shilling weakened to KShs 85.06 compared to 80.8 in 2010.

Short-term interest rates increased significantly in 2011 with the benchmark 91 day Treasury bill closing at 18.9% against 2.3% recorded in 2010.

In the capital markets, the NSE 20 Share performance declined significantly by 28% to 3205 in December 2011 from 4432 in December 2010.

An intensified tightening of monetary policy was adopted by the CBK's Monetary Policy Committee to tame inflationary pressures and stabilize the exchange rates. The MPC in its latest meeting reviewed several market developments in order to evaluate whether the desired outcomes of its policy stance had been achieved. The Committee observed that its tight monetary policy measures had yielded results with inflation rates declining, interest rates on government securities falling further, the exchange rate stabilizing and private sector credit growth experiencing a downward trend. However, the Committee identified certain potential risks in the economy driven by non-food-non-fuel inflation, widening of the current account deficit and rising of crude oil prices as well as the high and volatile interbank rates, among others.

Financial Performance

Jubilee, East Africa's oldest and largest insurance group, reported a Group Profit Before Tax of 2.144 billion, an increase of 4.4% from 2.1 billion in 2010 and Gross Written Premiums increased by 39% to Sh15.983 billion, (2010: 11.5 billion) and posted underwriting profits significantly higher than key peers across our markets. These results underscore the importance Jubilee has placed on sound risk management and underwriting discipline, which has allowed Jubilee to post a record underwriting profit of KShs 540 million.

2.144bn
Group Profit Before Tax

Despite the challenges faced in our regional markets, coupled with the uncertainty in the global environment, the excellent performance by the Jubilee Group underlines our capability to deliver superior value and returns for our shareholders and other stakeholders.

Based on Jubilee Group's impressive performance in 2011, I am pleased to report that the Board has recommended a dividend of 110% for the year 2011 (same as 2010), on the increased share capital of Kshs 272.25 million. An interim dividend of 20% (Kshs 1.0 per share) was paid on 07th October 2011. The Board is seeking your approval for a final dividend of 90% (KShs 4.5 per share) bringing the total dividend for 2011 to Kshs 299.475m (2010: Kshs 272.25m). In addition, the Board has recommended a bonus share issue in the ratio of 1:10, subject to the requisite regularoty approvals. This bonus share, will be the third consecutive one, which upon approval, was planned as part of the celebrations in a year in which Jubilee attains its 75th birthday on the 3rd day of August 2012.

General Insurance performance

Jubilee's general insurance gross written premium grew by 41% to reach Kshs 7.441 billion (2010: Shs 5.288 billion) and each of our insurance subsidiaries in Kenya, Uganda and Tanzania contributed to achieving a consolidated combined ratio of 88.6%, which is an outstanding performance. This reflects strategies implemented to improve operating efficiency, our rigorous focus on risk management, and an innovative product development drive that has seen Jubilee launch products in agricultural insurance, political violence, terrorism and sabotage covers, and those targeted to Small and Medium Enterprises.

Medical Insurance performance

The Group's medical business achieved a 49% growth to reach KShs 3.816 billion (2010: KShs 2.567 billion). Jubilee consolidated and enlarged its market leadership in medical insurance business market leadership in Kenya while expansion of the successful franchise into Tanzania and Uganda generated an exceptional 341% growth in Tanzania and made significant strides in Uganda. Our retail medical product, J-Care, tailored to young families, was well received in the Kenyan market and in 2012 we look forward to introducing it to more regional offices.

Life Insurance Performance

The gross life insurance premium income and deposit administration inflows demonstrated strong growth of 30% to Kshs 4.726 billion (Kshs 3.639 billion in 2010). This reflects the Group's strategy to expand its life insurance portfolio within the region and the success of the group's customer focused education and asset building products which are built around the long term saving, education and protection needs of Jubilee's customers.

Group Operations

Jubilee further strengthened its regional senior management team during 2011 to consolidate its position as the leading insurance franchise in Eastern Africa and provide the capacity and competence base to pursue further regional expansion. Significant investments have also been made in information technology in order to support our growing portfolio, and ensure service delivery is second to none. In 2011, Jubilee implemented the sophisticated ISF Life insurance system in Kenya to cater for the fast growing Individual Life and Group Life portfolio, and which will also support bancassurance and unit linked products. This is in the process of being rolled out to all countries. Towards the end of 2011, Jubilee also signed a contract to implement a modern, state of the art Medical insurance system, and implementation of this system has also commenced.

The subsidiary insurance companies in Kenya, Uganda and Tanzania all performed well during the year with all companies contributing positively to the Group's growth whilst increasing underwriting profitability and market share. Jubilee Tanzania particularly rose to market leadership position, Uganda maintained once again its number one position, whilst Kenya increased its market share and significantly enlarged the gap from the runner by over KShs 1.2 billion. The Subsidiaries in Burundi and Mauritius also recorded good growth.

In 2011, Jubilee wrote KShs 15.983 billion in premium and realized Kshs 2.14 billion in profit before tax. To ensure continuity as a market leader in the region, the company plans to open 14 agency offices in Kenya and continue its expansion plans in the region. Various strategic initiatives to grow the retail, bancassurance and micro insurance business and launch of online sales have been drawn up which will see Jubilee continue to lead the market including in product innovation, distribution channels and customer service.

Increased market confidence in Jubilee's Balance Sheet strength and financial stability as it attains 75 years, resulted in a 27% growth in deposit administration inflows, indicating the company's ability to safeguard funds and offer consistent returns year on year. The Group's impressive end year results translate into a 4% increase in profit attributable to shareholders, with the earning per share increasing to Kshs 33.10 from Kshs 32.25.

Corporate Social Responsibility

Supporting communities that it operates in is an important commitment for Jubilee, and in so doing it continues to commit resources to key CSR initiatives that go towards supporting crucial needs of the local communities, through partnerships with like-minded corporate organizations, as well as implementing its trademark CSR projects. Among these include The Jubilee Insurance Samaritan Award (JISA) which in 2011 made a significant impact by awarding four remarkable individuals for their extraordinary acts of charity, and telling their stories through the media to inspire the general society. With overwhelming support of staff the Jubilee Children Fund (JCF) continues to grow in supporting health initiatives. In addition Jubilee continued its partnership in key impacting projects that include the Standard Chartered Marathon and Mater Heart Run, which target health-related afflictions of cardiac illness and blindness.

Board of Directors

The Directors who held office in 2011 are listed on page 4 and 5 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 to greater heights in achieving its strategic objectives.

2012 Outlook

The business and regulatory environment will remain challenging in 2012 and accurate forecasts of market trends remain difficult. However, inflation and increases in global fuel prices portend an erosion of the purchasing power of East African citizens. National elections and the establishment of a new system of devolved government will also make 2012 a challenging but potentially prosperous year for Kenya and the region.

Jubilee's diversified business model proved robust in 2011, and our insurance companies will continue to focus on risk selection and management, so as to balance our entrepreneurial approach to business opportunities whilst protecting profitability. Key strategic initiatives for 2012 include the significant expansion of business through the bancassurance channel as well as growth of microinsurance business. New business systems have already been launched to ensure that the Group delivers enhanced customer service to improve our customer experience reputation and maintain our position as the leading multi-line insurance brand in East Africa. It is this quality and financial stability that will continue to strengthen our customer relationships and grow business.

Jubilee's Africa-wide expansion resonates with our customers who are themselves expanding business across the continent, and it will place Jubilee as an insurance company of choice, and a brand with the financial strength and muscle to deliver quality and convenience.

Your Company now provides insurance protection to more than 300,000 clients across East Africa, and will continue to increase our reach for the convenience of existing and potential customers in the region.

I am proud to advise that on 3rd August 2012 Jubilee will celebrate its 75th anniversary and accordingly a number of celebratory events have been planned which will involve all the stakeholders including customers, intermediaries and employees.

We continue to have ambitious goals and we do not rest on our laurels based on what we have achieved up to now. Jubilee will continue to perform strongly in 2012 and generate sustainable and stable returns for our shareholders.

Appreciation

Jubilee's continued strong performance is a culmination of contributions of our various stakeholders: our business partners, intermediaries and customers. I would like to thank you for your continued support and loyalty, which have been instrumental in reinforcing Jubilee's position as the invincible market leader in East Africa.

I also thank all our staff across the region who continues to show dedication and provide superior service to our customers. I would also like to acknowledge with appreciation my colleagues in the Board and those on the Boards of the subsidiaries for their diligence, guidance and support.

Nizar N. Juma
Chairman
29th March 2012

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited consolidated financial statements for the year ended 31st December, 2011 which disclose the state of affairs of Jubilee Holdings Limited (the "Company") and its subsidiary companies (together the "Group").

Country of Incorporation

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

Principal activities

The Company is an investments holding company. The Company, through its subsidiaries The Jubilee Insurance Company of Kenya Limited, The Jubilee Insurance Company of Uganda Limited, The Jubilee Insurance Company of Tanzania Limited, and The Jubilee Insurance Company Burundi (S.A.), transacts all classes of general and long term insurance business as defined by the Kenyan Insurance Act while Jubilee Insurance (Mauritius) Limited transacts all classes of general insurance business. The Group does not engage in industrial life insurance. It also owns investment companies in Uganda, Burundi and Tanzania and a fund management company in Kenya (Jubilee Financial Services Limited).

Results

The following is the summary of the results for the year ended 31st December, 2011:

Profit analysis	2011 Kshs'000	2010 Kshs'000
Group profit before income tax	2,143,891	2,053,287
Income tax expense	233,501	214,163
Group profit after income tax	1,910,390	1,839,124
Non-controlling interest	107,933	83,363
Profit attributable to equityholders of the company	1,802,457	1,755,761

Dividend

An interim dividend of Kshs 1.00 per share amounting to Kshs 54.45 million (2010: Kshs 49.5 million) was paid on 7th October, 2011. The Directors recommend a final dividend of Kshs 4.50 per share amounting to Kshs 245.025 million (2010: Kshs 222.75 million) for approval by Shareholders. The total dividend for the year represents 110% of the issued share capital as at 31st December, 2011 (2010: 110%).

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. Owuor

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

Auditor

The Company's independent auditor, KPMG Kenya, who was appointed during the year in place of Pricewaterhousecoopers, continues in office in accordance with Section 159(2) of the Kenyan Companies Act (Cap. 486).

On behalf of the Board

Nizar N. Juma
Chairman
29th March, 2012

STATEMENT OF DIRECTORS RESPONSIBILTIES

The Directors are responsible for the preparation and fair presentation of the group and company financial statements of Jubilee Holdings Limited set out on page 17 to 68 which comprise consolidated and company statements of financial position as at 31 December 2011, consolidated income statement, consolidated statement of comprehensive income, consolidated and company statements of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs and the operating results of the group and the company.

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

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

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

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

Approval of the financial statements

The group and company financial statements, as indicated above, were approved by the Board of Directors on 29th March 2012 and were signed on its behalf by:

Nizar N. Juma
Chairman

Sultan K. Khimji
Director

29th March 2012

CORPORATE GOVERNANCE STATEMENT

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

Board of Directors

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

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

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

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

The Board comprises eight non-executive Directors. The Directors who held office during the year under review and to the date of this report are listed on page 4 and 5. There were no resignations from or appointments to the Board in the course of the financial year ended December 2011.

The Directors' attendance of Board Meetings for the year 2011 is as follows*:

(Quorum = Four)

Name	March	August	November
Nizar Juma (Chairman)	√	√	√
Sultan Allana	√	√	×
Ramadhani Dau	×	√	√
Lutaf Kassam	√	√	×
Sultan Khimji	√	×	√
Juma Kisaame	×	√	√
John Metcalf	√	√	√
Tom Owuor	√	√	√

***Key:**
√ Present **× Apologies**

Board Committees

Pursuant to the Company' Articles of Association, the Board of Directors has delegated authority to three Committees as listed on pages 12 and 13. These committees operate under clearly articulated terms of reference (summarized below) which clarify their responsibilities and scope of authority. The Committees have unrestricted access to Group information and are authorized by the Board to obtain independent professional advice in the discharge of their functions.

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

(a) Board Audit and Compliance Committee:

Membership:
Sultan Khimji (Chairman), Juma Kisaame, John Metcalf, Tom Owuor, Amin Lakhani*.

Mandate:
This Committee is an informed, vigilant and effective overseer of the financial reporting process, internal controls, compliance and risk management issues in the Company, including any legislative and regulatory changes that impact on the Company's operations.

[*Amin Lakhani 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 Terms of Reference].

(b) Board Finance Committee:

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

Mandate:
The Committee's function is to supervise the financial and investment business of the Company, and provides guidelines and limits for investment of the Company's funds.

(c) Board Nominating and Human Resource Committee:

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

Mandate:
Having regard to the independence and quality of nominees to the Board, this Committee makes recommendations to the Board so as to ensure that all nominations are fair and transparent. The Committee has a board evaluation program as a means of gauging the effectiveness of the Board and its operations.

For services on the Board and its Committees, the Directors receive remuneration approved by shareholders at the Annual General Meeting. In 2011, the aggregate amount of emoluments received by the Directors is shown under note 10 (ii) on page 51 of the financial statements. No loans were advanced to the Directors during the year under review.

The Directors' attendance of Board Committee Meetings for the year 2011 is as follows:

(a) Board Audit and Compliance Committee
(Quorum = Two)

Name	March	August	November
Sultan Khimji	√	√	√
Juma Kisaame	√	×	×
John Metcalf	√	√	√
Tom Owuor	√	√	√
Amin Lakhani	n/a	n/a	×

(b) Board Finance Committee
(Quorum = Two)

Name	January	August	November
Lutaf Kassam	√	√	√
Ramadhani Dau	×	×	×
John Metcalf	√	√	√
Sultan Khimji	√	√	√

(c) Board Nominating and Human Resource Committee
(Quorum = Two)

Name	January	March	July	September	November	December
Nizar Juma	√	√	√	√	√	√
John Metcalf	√	√	√	√	√	×
Tom Owuor	√	√	√	√	√	√

Directors' interest in the shares of the company as at 31st December, 2011

Directors Shareholding

Name	Number of shares held
Mr. Sultan Khimji (including shares held by his family and company in which he has an interest)	9,966

Distribution of Shareholders as at 31 December 2011

Number of shares	Number of shareholders	Number of shares held	% Shareholding
Less than 500 shares	1,397	249,067	0.46%
500-5,000 shares	3,701	7,014,298	12.88%
5,001 – 10,000 shares	570	3,741,946	6.87%
10,001 – 100,000 shares	529	12,288,175	22.57%
100,001 – 1,000,000 shares	25	6,998,250	12.85%
Over 1,000,000 shares	2	24,158,264	44.37%
Total	**6,224**	**54,450,000**	**100.00%**

List of 10 Largest Shareholders as at 31 December 2011

	Names	Number of shares held	% Shareholding
1	Aga Khan Fund for Economic Development	20,682,750	37.98%
2	Ameerali K. Somji and/or Gulzar Ameerali K. Somji	3,475,514	6.38%
3	United Housing Estates Limited	987,940	1.81%
4	Adam's Brown and Company Limited	972,827	1.78%
5	Freight Forwarders Kenya Limited	918,456	1.68%
6	Ameerali K. Abdulrasul Somji and Hanif Mohamed Somji	841,694	1.54%
7	Noorali Rashid Sayani and Gulshan Noorali Sayani	272,358	0.50%
8	Kenya General Agency (Mombasa) Limited	231,000	0.42%
9	Ariff Aziz Ukani and Farah Bahadur Alibhai Shamji	205,665	0.37%
10	Aleem Jinah and Hadi Janmohamed Jinah	163,300	0.32%
	TOTALS	**28,751,504**	**52.78%**

CORPORATE SOCIAL RESPONSIBILITY

1 **The Jubilee Insurance Samaritan Award (JISA)**
Catherine Karori the Head of Medical, Jubilee Kenya (right) presents the JISA award to Alice Wanjiru a nurse at Maragua District Hospital and her nine month old baby Daisy. Ms Wanjiru won the award for risking her life to help mothers deliver when thugs struck the hospital tying up hospital staff; after she had herself just delivered. In 2011, JISA awarded four individuals for their extraordinary acts of charity towards others in the society.

2 **Supporting students industry visits**
Students of Mavindini Secondary School, from Makueni County, take notes as Jubilee staff members give a career guidance talk during the student's educational visit to Jubilee headquarters. Jubilee welcomes such visits from schools and universities as they expose students to practical requirements of the business world which is useful in picking their career paths.

3 **Blood donation**
Alleveating challenges affecting society is close to the heart of the Jubilee team. As part of celebrations to mark Jubilee's 75th year in operations, Jubilee staff across all its offices in Kenya, Tanzania, Uganda, Burundi and Mauritius united to donate blood to go towards alleviating shortfalls experienced in the countries' blood banks. Above, Jubilee Burundi staff volunteer. Such blood is used in emergency and other medical transfusion needs.

4 **Intervening for the needy**
Jubilee Kenya Chief Operating Officer (left) is taken through the functions of a digital angiography machine, a diagnostic tool for the vascular system including the heart, by Nairobi Hospital Chief Executive Officer Dr Cleopas Mailu. Jubilee was a key partner in a charity golf tournament in aid of The Nairobi Hospital's Children's Charity Heart Fund which sponsors heart treatment for needy children, as well as creating awareness of the condition.

CORPORATE SOCIAL RESPONSIBILITY

5 **Celebrating inauguration of Jubilee's 75th year**
Jubilee Group Chairman Nizar Juma (centre) with Sultan Allana the Chairman of HBL, Director of AKFED and JHL (left) and Zipporah Mungai the CEO of Jubilee Insurance Tanzania, during the function to mark the inauguration of Jubilee's 75th year since inception. Jubilee is looking forward to marking its 75th birthday in August 2012, having grown to be the leading insurance company in Kenya, Uganda and Tanzania.

6 **Staff bonding**
Jubilee Mauritius organized a staff get-together at the beach in December 2011. It was a time to relax and get to know team members better in a different, freer environment. This memorable day saw staff also exchange Christmas gifts. Staff team building sessions are developed in all Jubilee offices to help staff interact and work as one united team.

7 **Cementing relations with intermediaries**
Jubilee agents celebrate after scooping awards during the Agency Quiz Night held in November 2011. Such activities where agents are trained and awarded for good understanding of Jubilee insurance products are ongoing and aim at motivating and building a dynamic sales force.

8 **Jubilee the best insurer**
Jubilee Kenya staff led by CEO Patrick Tumbo (centre) celebrate after winning 12 awards at the Insurance Awards 2011. Jubilee was the most celebrated company at the awards, emerging overall winner in Composite Underwriter of the Year, Medical Insurer Underwriter of the Year, The Major Loss Award, The Risk Management Award and The Life Time Achievement Award for Jubilee Group Chairman, Nizar N. Juma. Jubilee was runner up in seven other categories.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF JUBILEE HOLDINGS LIMITED

We have audited the consolidated and company financial statements of Jubilee Holdings Limited set out on pages 17 to 68 which comprise the consolidated and company statements of financial position as at 31 December 2011, consolidated income statement, consolidated statement of comprehensive income, consolidated and company statements of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

As stated on page 10, the directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Kenya, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the consolidated and separate financial position of Jubilee Holdings Limited at 31 December 2011, and the consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

Report on other legal requirements

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

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

KPMG Kenya
Certified Public Accountants
Lonrho House
Standard Street
P. O. Box 40612, 00100
Nairobi, Kenya.

29th March 2012

CONSOLIDATED INCOME STATEMENT

	Note	2011 Kshs '000	2010 Kshs '000
Gross earned premium revenue	6	12,058,816	8,492,698
Less: outward reinsurance	6	4,716,820	3,132,562
Net insurance premium revenue		**7,341,996**	**5,360,136**
Investment and other income	7	2,692,387	2,149,292
Net fair value gains on financial assets at fair-value-through profit & loss	18 & 19	(329,164)	1,633,103
Commission earned		863,644	627,494
Total income		**10,568,863**	**9,770,025**
Claims and policy holders benefits payable	8	8,994,689	7,516,421
Claims recoverable from re-insurers	8	2,880,670	1,897,705
Net insurance benefits and claims		**6,114,019**	**5,618,716**
Operating and other expenses	9	1,804,331	1,315,054
Commission payable		1,580,420	1,143,538
Total expenses and commissions		**3,384,751**	**2,458,592**
Result of operating activities		**1,070,093**	**1,692,717**
Finance costs		(49,937)	(60,409)
Share of result of associates	17 (i)	1,123,735	420,979
Group profit before income tax		**2,143,891**	**2,053,287**
Income tax expense	11	233,501	214,163
Profit for the year		**1,910,390**	**1,839,124**
Attributable to:			
Equityholders of the Company		1,802,457	1,755,761
Non-controlling Interest		107,933	83,363
Total		**1,910,390**	**1,839,124**
Earnings Per Share (2010 restated)			
Basic and diluted	27	33	32

The notes on pages 23 to 68 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2011 Kshs '000	2010 Kshs '000
Profit for the year		**1,910,390**	**1,839,124**
Other comprehensive income			
Change in fair value of financial assets at fair value through other comprehensive income	18 & 19	(258,599)	220,958
Net translation loss		(215,195)	(69,822)
Total other comprehensive income for the year		**(473,794)**	**151,136**
Total comprehensive income for the year		**1,436,596**	**1,990,260**
Attributable to:			
Equityholders of the Company		1,342,484	1,932,948
Non-controlling interest		94,112	57,312
Total comprehensive income for the year		**1,436,596**	**1,990,260**

The notes on pages 23 to 68 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2011

	Note	2011 Kshs '000	2010 Kshs '000
CAPITAL AND RESERVES			
Share capital	12	272,250	247,500
Fair value reserves	13 (a)	(553,376)	(257,656)
General reserves	13 (b)	70,000	70,000
Translation reserves	13 (c)	(214,053)	(14,942)
Contingency reserves	13 (d)	472,125	414,404
Retained earnings		5,861,745	4,431,484
Proposed dividends	14	245,025	222,750
Equity attributable to owners of the company		**6,153,716**	**5,113,540**
Non-controlling interest		557,935	463,823
Total equity		**6,711,651**	**5,577,363**
ASSETS			
Property and equipment	15	91,921	61,168
Investment properties	16	3,587,623	2,882,945
Investment in associates	17 (i)	5,078,237	4,126,174
- Quoted shares at fair value through profit & loss	18	3,739,567	5,075,100
- Quoted shares at fair value through other comprehensive income	18	871,119	597,916
- Unquoted shares through other comprehensive income	19	1,961,000	1,052,957
Mortgage loans	20 (i)	11,988	40,161
Loans on life insurance policies	20 (ii)	290,775	213,994
Government securities at amortised cost	21	10,264,017	6,344,018
Deposits with financial institutions	26	2,639,679	3,337,658
Commercial bonds		1,113,410	1,111,380
Receivables arising out of direct insurance arrangements	4	1,647,111	1,204,673
Receivables arising out of reinsurance arrangements	4	1,256,666	888,757
Reinsurers' share of insurance contract liabilities	22	3,724,831	2,577,902
Deferred acquisition costs	23	176,230	112,143
Other receivables	24	482,134	429,022
Deferred income tax	25	22,569	12,619
Current income tax		58,869	-
Cash and bank balances	26	1,022,086	622,795
Total assets		**38,039,832**	**30,691,382**
REPRESENTED BY:			
LIABILITIES			
Insurance contract liabilities	28	10,493,015	7,763,925
Payable under deposit administration contracts	29	12,408,082	10,400,858
Unearned premium reserve	30	4,681,437	3,510,177
Creditors arising out of direct insurance arrangements		241,162	402,187
Creditors arising out of reinsurance arrangements		1,047,287	652,999
Trade and other payables	31	894,297	819,359
Deferred income tax	25	90,652	97,204
Current income tax payable		-	22,735
Dividends payable		133,975	115,396
Bank overdraft	32	92,765	121,581
Borrowings	32	1,245,509	1,207,598
Total liabilities		**31,328,181**	**25,114,019**
Net assets		**6,711,651**	**5,577,363**

The financial statements on pages 17 to 68 were approved by the Board of Directors on 29th March 2012 and signed on its behalf by:

Nizar N. Juma
Chairman

Sultan K. Khimji
Director

The notes on pages 23 to 68 are an integral part of these consolidated financial statements

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2011

	Note	2011 Kshs '000	2010 Kshs '000
CAPITAL AND RESERVES			
Share capital	12	272,250	247,500
Fair value reserves	13 (a)	(879)	(6,077)
General reserves	13 (b)	70,000	70,000
Retained earnings		1,992,883	1,673,245
Proposed dividends	14	245,025	222,750
Total equity		**2,579,279**	**2,207,418**
ASSETS			
Investment in associates	17 (i)	1,377,415	1,076,153
Investment in subsidiaries	17 (ii)	1,762,527	1,762,527
Quoted shares at fair value through other comprehensive income	18	18,270	16,329
Unquoted shares at fair value through other comprehensive income	19	9,337	6,081
Deposits with financial institutions		1,707	45,050
Due from related parties		167,875	269,938
Other receivables	24	102	9
Current income tax		11,687	11,676
Cash and bank balances	26	999	5,208
Total assets		**3,349,919**	**3,192,971**
REPRESENTED BY:			
LIABILITIES			
Deferred income tax	25	12,237	12,237
Trade and other payables	31	2,945	4,878
Due to related parties	34	621,483	853,042
Dividends payable		133,975	115,396
Total liabilities		**770,640**	**985,553**
Net assets		**2,579,279**	**2,207,418**

The financial statements on pages 17 to 68 were approved by the Board of Directors on 29th March 2012 and signed on its behalf by:

Nizar N. Juma
Chairman

Sultan K. Khimji
Director

The notes on pages 23 to 68 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share Capital	Fair Value Reserves	General Reserves	Translation Reserves	Contingency Reserves	Retained Earnings	Proposed Dividends	Equity Attributable To Owners	Non-Controlling Interest	Total Equity
		Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Year ended 31st December 2010	**Note**										
At start of the year		225,000	(461,168)	70,000	22,957	232,225	3,142,326	157,500	3,388,840	405,257	3,794,097
Profit for the year		-	-	-	-	-	**1,755,761**	-	**1,755,761**	**83,363**	**1,839,124**
Other comprehensive income											
Transfer to retained earnings on reclassification		-	9,715	-	-	-	(9,715)	-	-	-	-
Change in fair value of financial assets through OCI	13 (a)	-	213,838	-	-	-	-	-	213,838	7,120	220,958
Transfer to retained earnings on disposal	13 (a)	-	(20,041)	-	-	-	20,041	-	-	-	-
Net translation loss	13(c)	-	-	-	(37,899)	-	-	-	(37,899)	(31,917)	(69,816)
Transfer to contingency reserves	13 (d)	-	-	-	-	182,179	(182,179)	-	-	-	-
Total comprehensive income for the year		-	203,512	-	(37,899)	182,179	1,583,908	-	1,931,700	58,566	1,990,266
Transactions with owners:											
Bonus shares issued		22,500	-	-	-	-	(22,500)	-	-	-	-
Dividends: Final for 2009 paid	14	-	-	-	-	-	-	(157,500)	(157,500)	-	(157,500)
Interim for 2010 paid	14	-	-	-	-	-	(49,500)	-	(49,500)	-	(49,500)
Final for 2010 proposed	14	-	-	-	-	-	(222,750)	222,750	-	-	-
Total transactions with owners		22,500	-	-	-	-	(294,750)	65,250	(207,000)	-	(207,000)
At end of year		247,500	(257,656)	70,000	(14,942)	414,404	4,431,484	222,750	5,113,540	463,823	5,577,363
Year ended 31st December 2011											
At start of the year		247,500	(257,656)	70,000	(14,942)	414,404	4,431,484	222,750	5,113,540	463,823	5,577,363
Profit for the year		-	-	-	-	-	**1,802,457**	-	**1,802,457**	**107,933**	**1,910,390**
Other comprehensive income											
Fair value loss from others	13 (a)	-	(24,788)	-	-	-	-	-	(24,788)	-	(24,788)
Change in fair value of financial assets through OCI	13 (a)	-	(261,182)	-	-	-	-	-	(261,182)	2,582	(258,600)
Transfer to retained earnings on disposal	13 (a)	-	(9,750)	-	-	-	9,750	-	-	-	-
Net translation loss	13(c)	-	-	-	(199,111)	-	-	-	(199,111)	(16,403)	(215,514)
Transfer to contingency reserves	13 (d)	-	-	-	-	57,721	(57,721)	-	-	-	-
Total comprehensive income for the year		-	(295,720)	-	(199,111)	57,721	1,754,486	-	1,317,376	94,112	1,411,488
Transactions with owners:											
Bonus shares issued	12	24,750	-	-	-	-	(24,750)	-	-	-	-
Dividends: Final for 2010 paid	14	-	-	-	-	-	-	(222,750)	(222,750)	-	(222,750)
Interim for 2011 paid	14	-	-	-	-	-	(54,450)	-	(54,450)	-	(54,450)
Final for 2011 proposed	14	-	-	-	-	-	(245,025)	245,025	-	-	-
Total transactions with owners		24,750	-	-	-	-	(324,225)	22,275	(277,200)	-	(277,200)
At end of year		272,250	(553,376)	70,000	(214,053)	472,125	5,861,745	245,025	6,153,716	557,935	6,711,651

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

The notes on pages 23 to 68 are an integral part of these consolidated financial statements

COMPANY STATEMENT OF CHANGES IN EQUITY

	Note	Share Capital Kshs '000	Fair Value Reserves Kshs '000	General Reserves Kshs '000	Retained Earnings Kshs '000	Proposed Dividends Kshs '000	Total Kshs '000
Year ended 31 December 2010							
At start of the year		225,000	2,028	70,000	1,569,976	157,500	2,024,504
Profit for the year		-	-	-	**387,492**	-	**387,492**
Other comprehensive income							
Change in fair value of financial assets through other comprehensive income	18 & 19		2,422				2,422
Transfer to retained earnings on disposal	18 & 19	-	(10,527)	-	10,527	-	-
Total comprehensive income for the year		-	(8,105)	-	398,019	-	389,914
Transactions with owners:							
Bonus shares issued		22,500	-	-	(22,500)	-	-
Dividends: Final for 2009 paid		-	-	-	-	(157,500)	(157,500)
Interim for 2010 paid		-	-	-	(49,500)	-	(49,500)
Final for 2010 proposed		-	-	-	(222,750)	222,750	-
Total transactions with owners		22,500	-	-	(294,750)	65,250	(207,000)
At end of year		247,500	(6,077)	70,000	1,673,245	222,750	2,207,418
Year ended 31 December 2011							
As previously reported		247,500	(6,077)	70,000	1,673,245	222,750	2,207,418
Profit for the year		-	-	-	**643,863**	-	**643,863**
Other comprehensive Income							
Change in fair value of financial assets through other comprehensive income	18 & 19	-	5,198	-	-	-	5,198
Total comprehensive income for the year		-	5,198	-	643,863	-	649,061
Transactions with owners:							
Bonus shares issued	12	24,750	-	-	(24,750)	-	-
Dividends: Final for 2010 paid	14	-	-	-	-	(222,750)	(222,750)
Interim for 2011 paid	14	-	-	-	(54,450)	-	(54,450)
Final for 2011 proposed	14	-	-	-	(245,025)	245,025	-
Total transactions with owners		24,750	-	-	(324,225)	22,275	(277,200)
At end of year		272,250	(879)	70,000	1,992,883	245,025	2,579,279

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

The notes on pages 23 to 68 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2011 Kshs '000	2010 Kshs '000
Cash flow from operating activities			
Profit before income tax		2,143,891	2,053,287
Adjustments for: -			
Depreciation	15	36,184	26,369
Fair value gains on equity investments at fair value through profit & loss	18 & 19	329,164	(1,633,103)
Investment income	7	(2,692,387)	(2,149,292)
Share of result of associates after income tax	17 (i)	(1,123,735)	(420,979)
Operating profit before changes to receivables and payables		**(1,306,883)**	**(2,123,718)**
Net inflows from deposit administration contracts	29	2,007,224	2,756,760
Change in insurance contract liabilities and reserves		3,900,350	2,171,810
Change in premium, reinsurance and other receivables		(2,024,659)	(993,444)
Change in reinsurance and other payables		299,745	(89,977)
Cash generated from operations		**2,875,777**	**1,721,431**
Income tax paid		(331,607)	(352,592)
Net cash inflow from operating activities		**2,544,170**	**1,368,839**
Cash flow from investing activities			
Rent, interest and dividend received		1,921,996	1,482,298
Dividends received from associates	17 (i)	171,671	62,112
Proceeds from sale of quoted shares		382,738	1,751,276
Proceeds from disposal of property and equipment		7,452	4,330
Purchase of property and equipment	15	(67,386)	(39,942)
Net additions of investment properties	16	(28,333)	(72,868)
Purchase of quoted shares	18	(752,105)	(1,191,927)
Net purchase of unquoted shares	19	(20,552)	-
Net mortgage loans redeemed	20 (i)	35,019	10,079
Net loans on life insurance policies advanced	20 (ii)	(66,202)	(17,366)
Net increase of government securities	21	(3,919,999)	(2,048,807)
Net purchase of commercial bonds		(2,030)	(806,137)
Net cash outflow from investing activities		**(2,337,731)**	**(866,952)**
Cash flow from financing activities			
Proceeds from borrowings		-	161,504
Dividends paid		(277,200)	(207,000)
Net cash outflow from financing activities		**(277,200)**	**(45,496)**
(Decrease)/increase in cash and cash equivalents		(70,761)	456,391
Cash and cash equivalents at start of year	26	3,838,872	3,420,380
Exchange loss on translation of cash and cash equivalents in foreign currencies	13 (c)	(199,111)	(37,899)
Cash and cash equivalents at end of year		**3,569,000**	**3,838,872**

The notes on pages 23 to 68 are an integral part of these consolidated financial statements

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST DECEMBER 2011

1. GENERAL INFORMATION

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

The Company through its subsidiaries and associates (together forming the Group) underwrites Life and non-life insurance risks, such as those associated with death, disability, health, property and liability. The Group also issues a diversified portfolio of investment contracts to provide its customers with asset management solutions for their savings and retirement needs. All these products are offered to both domestic and foreign markets. It has operations in Kenya, Uganda, Tanzania, Burundi and Mauritius and employs over 500 (2010: 400) people through its subsidiaries.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below and apply to the Group and the Company. 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.

Standards and interpretations that have been adopted in the Company's 2011 annual financial statements

Revised IAS 24 Related Party Disclosures (effective for years commencing on or after 1 January 2011) - this standard addresses the disclosure requirements in respect of related parties, with the main changes relating to the definition of a related party where new related party relationships have been identified. This standard has been adopted retrospectively in the 2011 annual financial statements, and did not have a significant impact on the disclosure.

IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets (effective from 1 July 2011) - this amendment introduces new disclosure requirements about transfers of financial assets including disclosure for financial assets that are not derecognized in their entirety and financial assets that are derecognized in their entirety but for which the entity retains continuing involvement. This standard has been adopted in the 2011 annual financial statements, and did not have a significant impact on the disclosure.

Future amendments not early adopted in the 2011 annual financial statements

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2011, and have not been applied in preparing these financial statements. These are summarized below:

IFRS 9 (2010) retains the classification and measurement requirements in IAS 39 for financial liabilities. The standard however requires for financial liabilities designated under the fair value option (other than loan commitments and financial guarantee contracts), that the amount of change in fair value attributable to changes in the credit risk of the liability be presented in other comprehensive income. The remaining amount of the total gain or loss is included in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss.
Under IFRS 9 (2010) derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value.
IFRS 9 (2010) will be adopted for the first time for the year ending 31 December 2015 and will be applied retrospectively, subject to certain transitional provisions. The impact on the financial statements has not yet been estimated.

IAS 12 Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012) - this amendment introduces an exception to the general measurement requirements of IAS 12 Income Taxes in respect of investment properties measured at fair value. The

2.1. BASIS OF PREPARATION (CONTINUED)

measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset.
IAS 12 will be adopted for the first time for the year ending 31 December 2012 and will be applied retrospectively. The impact on the financial statements has not yet been estimated.

IAS 1 Presentation of Items of Other Comprehensive Income (effective from 1 July 2012) - this amendment requires that an entity present separately the items of other comprehensive income (OCI) that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss; and change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles.
IAS 1 will be adopted for the first time for the year ending 31 December 2012. There is no significant impact on the financial statements as this amendment will only require additional disclosure.

IFRS 10 Consolidated Financial Statements (effective from 1 January 2013) - this standard introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when it is exposed or has rights to variable returns from its involvement with that investee, it has the ability to affect those returns through its power over that investee and there is a link between power and returns. Control is reassessed as facts and circumstances change. IFRS 10 supersedes IAS 27 (2008) and SIC-12 Consolidation—Special Purpose Entities.
IFRS 10 will be adopted for the first time for the year ending 31 December 2013. The impact on the financial statements has not yet been estimated.

IFRS 11 Joint Arrangements (effective from 1 January 2013) - this standard focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It distinguishes joint arrangements between joint operations and joint ventures, and always requires the equity method for jointly controlled entities that are now called joint ventures. IFRS 11 supersedes IAS 31 and SIC-13 Jointly Controlled Entities-Non-Monetary Contributions by Venturers.
IFRS 11 will be adopted for the first time for the year ending 31 December 2013. The impact on the financial statements has not yet been estimated.

IFRS 12 Disclosure of Interests in Other Entities (effective from 1 January 2013) - this standard combines, in a single standard, the disclosure requirements for subsidiaries, associates and joint arrangements, as well as unconsolidated structured entities. The required disclosures aim to provide information to enable user to evaluate the nature of, and risks associated with, an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows.

The adoption of the new standard will increase the level of disclosure provided for the entity's interests in subsidiaries, joint arrangements, associates and structured entities. This standard may impact the disclosure to be provided by the Company, but will have to be assessed based on IFRS 10 and IFRS 11 conclusions.

IFRS 13 Fair value Measurement (effective 13 January 2013) - this standard introduces a single source of guidance on fair value measurement for both financial and non-financial assets and liabilities by defining fair value as an exit price, establishing a framework for measuring fair value and setting out disclosures requirements for fair value measurements.
IFRS 13 will be adopted for the first time for the year ending 31 December 2013. The impact on the financial statements has not yet been estimated.

IAS 19 Employee Benefits (effective 1 January 2013) - the amendment requires that actuarial gains and losses are recognized immediately in OCI. This change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19. Furthermore, the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation.
IAS 19 will be adopted for the first time for the year ending 31 December 2013 and will be applied retrospectively. The impact on the financial statements has not yet been estimated.

IAS 27 Separate Financial Statements (2011) supersedes IAS 27 (2008) and is effective for year-ends commencing on or after 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

IAS 28 Investments in Associates and Joint Ventures (2011) supersedes IAS 28 (2008) and is effective for year-ends commencing on or after 1 January 2013. IAS 28 (2011) makes the following amendments: (i) IFRS 5 applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and (ii) on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not re-measure the retained interest.

The directors have assessed the relevance of these amendments and interpretations with respect to the company's operations and have concluded that they are unlikely to have a significant impact to the company.

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

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

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition date fair value over any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.
Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

b) Investment in Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investments in associates include goodwill identified on acquisition net of all accumulated impaired losses.
The Group's share of its associates' post-acquisition income statement is recognised in the profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate
Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution of gains and losses arising from investment in associates are recognised in the income statement.

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 recognized in the income statement.

2.2. CONSOLIDATION (CONTINUED)

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognized in income statement as part of the fair value gain or loss. Translation differences on other non-monetary financial assets are recognized in the statement of other comprehensive income.

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

- Assets and liabilities for each statement of financial presented are translated at the closing rate at the reporting date
- 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
- All resulting exchange differences are recognised as a separate component in other comprehensive.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' translation reserve. When a foreign operation is sold, such exchange differences are recognized in the income statement 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 return 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.

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

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

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

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

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

2.3 SEGMENT INFORMATION (CONTINUED)

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

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

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

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

2.4 INSURANCE CONTRACT

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

(i) Long-term insurance business

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

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

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

(ii) General insurance business

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

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

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

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

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

2.4 INSURANCE CONTRACTS (CONTINUED)

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

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

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

b) Recognition and measurement

(i) Premium income

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

For general insurance business, Premium income is recognized on assumption of risks, and includes estimates of premiums due but not yet received, less an allowance for cancellations, and less unearned premium. Unearned premiums represent the proportion of the premiums written in periods up to the accounting date that relates to the unexpired terms of policies in force at the reporting date, 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 policy holders benefits payable

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

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

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

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

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

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

(iv) Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used.

2.4 INSURANCE CONTRACTS (CONTINUED)

Any deficiency is immediately charged to profit or loss initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

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

(v) Reinsurance contracts held

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

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

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

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

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

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognizes that impairment loss in the 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 recognized in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

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

2.5 INVESTMENT CONTRACTS

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

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

2.5 INVESTMENT CONTRACTS (CONTINUED)

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

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

2.6 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

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

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

(v) Rental income from investment properties
Rental income is recognised in the period it is earned.

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

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 and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

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

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

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

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are included in 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 are classified as investment property. Investment property is measured at cost on initial recognition. Investment property is carried at fair value, representing open market value determined annually by external valuer's. Changes in fair values are included in investment income in income statement.

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

2.10 FINANCIAL ASSETS AND LIABILITIES

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

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

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

(i) Classification of financial assets

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

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

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

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

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

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

2.10 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

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

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

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

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

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

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

(iv) Financial assets at FVTPL

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

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

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

(v) De-recognition of financial assets

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

(vi) Financial liabilities

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

(vii) Financial liabilities at FVTPL

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

2.10 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(viii) Other financial liabilities

Other financial liabilities which includes creditors arising out of reinsurance arrangements and direct insurance arrangement and other payable, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(ix) De-recognition

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

(x) Impairment of financial assets

a) Financial assets carried at amortized cost

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

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including:
    - 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 investments carried at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with exception of receivables arising out of reinsurance or direct insurance arrangements, where the carrying amount is reduced through an allowance account. The impairment is recognized directly through the income statement.

b) 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.

c) Offsetting financial instruments

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

2.10 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

d) Renegotiated loans

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

2.11 HEDGE ACCOUNTING

The Group designates certain instruments as either: (i) hedges of the fair value of recognized assets or liabilities or of a firm commitment (fair value hedge); (ii) hedges of highly probable forecast transactions (cash flow hedges); or (iii) hedges of net investments in foreign operations (net investment hedge). As at the end of the year the Group had only designated a hedge of net investment in a foreign operation (see note 36).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are expected to be and have been highly effective in offsetting changes in fair values or cash flows of hedged items. Movements on the hedging reserve in shareholders' equity are shown in Note 36.

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 recognized in equity. The gain or loss relating to any ineffective portion is recognized immediately in the income statement 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.

2.12 ACCOUNTING FOR LEASES

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

2.13 CASH AND CASH EQUIVALENTS

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

2.14 EMPLOYEE BENEFITS

(i) Retirement benefit obligations

The Group operates 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 income statement in the year to which they relate.

2.14 EMPLOYEE BENEFITS (CONTINUED)

(ii) Other entitlements

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

2.15 INCOME TAX EXPENSE

Income tax expense is the aggregate of the charge to the income statement 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 nor loss, it is not accounted for. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 BORROWINGS

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings.

2.17 DIVIDENDS

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

2.18 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.

2.19 CONCESSION ARRANGEMENTS

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

The grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them and at what price; and

The grantor controls significant residual interest in the infrastructure at the end of the concession arrangement.

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

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

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

a) 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 valuation technique such as price earnings ratios basis.

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 judgment in the estimation of incurred but not yet reported claims (IBNR) whereby the Group uses historical experience to estimate the ultimate cost of claims and the IBNR provision. This involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to claims data for each accident year that is not fully developed to produce an estimated ultimate claims cost for each accident year. Note 28 contains further details on the estimation of insurance liabilities.

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

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

For contracts without fixed terms, 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.

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) Valuation of investment property

Investment property comprises freehold land and buildings are 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.

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

e) Valuation of unquoted shares

The Group uses valuation techniques for valuing unquoted shares that are not based on observable market data. The critical management judgment is in the selection of the price earnings ratio applied and the determination of normalized earnings for the underlying investments

f) Carrying value of investment in associate

The carrying value of some of the associates companies is dependent on the complex valuation of the underlying operating entities. These valuations apply discounted cash flow techniques which are subject to judgment as to the future cash flows.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

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

This section summarises the way the Group manages key risks:

(i) Insurance risk

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

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

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments. The average estimated rate of investment return is 8% p.a., were the average future investment returns to increase by 4% from management's estimates, the insurance liability would increase by Shs 252 million while significant enough deterioration in estimates is immediately recognized to make the liabilities adequate.

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

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

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

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

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Year ended 31st December, 2011		Maximum insured loss				Total
Class of business		Range 01	Range 02	Range 03	Range 04	
General Insurance business		Kshs 0 m - Kshs 15m	Kshs 15m - Kshs 250m	Kshs 250m - Kshs 1000m	Kshs 1000m + Kshs 250m	
		Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Motor	Gross	36,297,087	16,775,582	73,369	-	53,146,038
	Net	23,252,465	16,127,619	53,438	-	39,433,522
Fire	Gross	88,377,089	179,974,382	145,076,682	212,172,154	625,600,307
	Net	6,368,663	24,416,384	11,757,665	28,910,315	71,453,027
Personal accident	Gross	79,223,990	141,906,520	95,331,111	131,032,935	447,494,556
	Net	43,625,948	57,636,084	32,229,532	64,921,764	198,413,328
Other	Gross	85,098,504	89,115,212	27,182,432	181,792,272	383,188,420
	Net	9,184,015	4,068,671	3,952,239	107,158,260	124,363,185
Life assurance business						
Ordinary life	Gross	10,632,063	237,830	-	-	10,869,893
	Net	9,786,462	120,022	-	-	9,906,484
Group life	Gross	103,435,613	17,433,509	393,052	-	121,262,174
	Net	28,387,500	1,660,500	1,500	-	30,049,500
Other	Gross	-	-	-	-	-
	Net	-	-	-	-	-
Total	**Gross**	**403,064,346**	**445,443,035**	**268,056,646**	**524,997,361**	**1,641,561,388**
	Net	**120,605,053**	**104,029,280**	**47,994,374**	**200,990,339**	**473,619,046**

Year ended 31st December, 2010		Maximum insured loss				Total
Class of business						
General Insurance business		Kshs 0 m - Kshs 15m	Kshs 15m - Kshs 250m	Kshs 250m - Kshs 1000m	Kshs 1000m + Kshs 250m	
		Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Motor	Gross	16,464,108	9,937,350	-	-	26,401,458
	Net	16,353,948	9,937,350	-	-	26,291,298
Fire	Gross	9,777,197	72,213,185	56,568,595	125,536,817	264,095,794
	Net	9,691,152	16,387,542	7,079,096	2,580,000	35,737,790
Personal accident	Gross	38,972,740	42,816,113	4,747,092	26,222,198	112,758,143
	Net	29,053,847	42,780,841	4,747,092	26,222,198	102,803,978
Other	Gross	12,168,225	49,978,117	24,585,287	26,862,188	113,593,817
	Net	10,173,112	30,455,911	4,426,108	727,402	45,782,533
Life assurance business						
Ordinary life	Gross	8,225,811	177,400	-	-	8,403,211
	Net	6,917,361	1,651	-	-	6,919,012
Group life	Gross	77,579,779	2,703,297	-	-	80,283,076
	Net	20,223,051	69,000	-	-	20,292,051
Other	Gross	-	-	-	-	-
	Net	-	-	-	-	-
Total	**Gross**	**163,187,860**	**177,825,462**	**85,900,974**	**178,621,203**	**605,535,499**
	Net	**92,412,471**	**99,632,295**	**16,252,296**	**29,529,600**	**237,826,662**

(ii) Financial risk

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

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

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

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

(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, Uganda shilling and Tanzania shilling. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

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

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

Exchange Risk As at 31st December, 2011	Kenya US Dollar Kshs'000	Uganda Shillings Kshs'000	Tanzania Shillings Kshs'000	Mauritius Rupees Kshs'000	Burundi Francs Kshs'000	Total Kshs'000
ASSETS						
Receivables arising out of reinsurance arrangements	126,984	183,810	279,454	-	38,367	628,615
Deferred acquisition costs	-	15,666	4,341	30,085	8,479	58,571
Deposit with financial institutions	322,770	-	309,879	-	-	632,649
Cash and bank balances	31,942	78	45,212	-	57,520	134,752
Total assets	481,696	199,554	638,886	30,085	104,366	1,454,587
LIABILITIES						
Provision for unearned premium	70,166	93,915	233,619	87,078	29,485	514,263
Insurance contract liabilities	28,216	103,407	211,911	47,904	12,013	403,451
Creditors arising out of reinsurance arrangements	13,958	29,972	187,807	52,091	-	283,828
Total liabilities	112,340	227,294	633,337	187,073	41,498	1,201,542
Net Balance sheet position	369,356	(27,740)	5,549	(156,988)	62,868	253,045

Exchange Risk As at 31st December, 2010	Kenya US Dollar Kshs'000	Uganda Shillings Kshs'000	Tanzania Shillings Kshs'000	Mauritius Rupees Kshs'000	Burundi Francs Kshs'000	Total Kshs'000
ASSETS						
Receivables arising out of reinsurance arrangements	285,202	225,650	25,400	-	26,536	562,788
Deferred acquisition costs	-	14,469	4,160	-	1,020	19,649
Deposit with financial institutions	67,630	44,574	-	25,052	3,876	141,132
Cash and bank balances	998	18,192	-	1,367	70,475	91,032
Total assets	353,830	302,885	29,560	26,419	101,907	814,601
LIABILITIES						
Provision for unearned premium	-	67,026	21,651	-	16,600	105,277
Insurance contract liabilities	212,701	99,368	28,229	13,783	904	354,985
Creditors arising out of reinsurance arrangements	16,072	48,846	2,214	-	13,638	80,770
Total liabilities	**228,773**	**215,240**	**52,094**	**13,783**	**31,142**	**541,032**
Net Balance sheet position	125,057	87,645	(22,534)	12,636	70,765	273,569

At 31st December, 2011, if the Shilling had weakened/strengthened by 10% against the US dollar with all other variables held constant, the impact on post-tax profit for the year would have been negligible (2010: negligible), mainly as a result of US dollar receivables and bank balances.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(ii) Price risk

The Group is exposed to equity securities price risk because of investments in quoted and unquoted shares classified either as financial assets at fair value through other comprehensive income or at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity and debt securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with limits set by the Group. All quoted shares held by the Group are traded on the Nairobi Securities Exchange (NSE), the Uganda Securities Exchange (USE) and Dar es Salaam Stock Exchange (DSE).

Group
At 31st December, 2011, if the NSE and USE indices had increased/decreased by 20% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation to the index, the post-tax profit would have been Kshs 3.3m lower/higher and equity would have been Kshs 357m higher/lower.

Company
At 31st December, 2011, the Company did not hold any shares in the Nairobi Stock Exchange. If the USE indices had increased/decreased by 20% with all other variables held constant, all the companies' equity instruments moved according to the historical correlation to the index, then equity movement would have been negligible.

(b) Cash flow and fair value interest rate risk

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

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

The Group's variable interest rate financial instruments are some of the quoted corporate bonds – Barclays Bank Medium Term Loan. These are held to maturity thus do not expose the Group to interest rate risk

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

For liabilities under long-term insurance contracts with fixed and guaranteed terms, changes in interest rate will not cause a change to the amount of the liability, unless the change is severe enough to trigger a liability adequacy test adjustment. The level of the reduction of the level of interest rate that will trigger an adjustment is an interest rate of 1%. An additional liability of Kshs 81 million (2010 Kshs 81 million) would be required as a result of a further worsening of 20% in mortality.

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

(c) Credit risk

The Group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Group is exposed to credit risk are:

- Receivables arising out of direct insurance arrangements;
- Receivables arising out of reinsurance arrangements; and
- Reinsurers' share of insurance liabilities

Other areas where credit risk arises include cash and cash equivalents, corporate bonds and deposits with banks and other receivables.

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

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

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

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

The amount that best represents the Group's and Company's maximum exposure to credit risk at 31st December, 2011 is made up as follows:

Maximum exposure to credit risk before collateral held	Group		Company	
	2011 Kshs '000	2010 Kshs '000	2011 Kshs '000	2010 Kshs '000
Receivables arising out of reinsurance arrangements	1,256,667	889,477	-	-
Receivables arising out of direct insurance arrangements	1,647,112	835,299	-	-
Reinsurers' share of insurance liabilities	3,724,830	2,633,592	-	-
Government securities at amortised cost	10,264,017	6,344,018	-	-
Commercial bond	1,113,410	1,111,380	-	-
Cash and bank balances	1,022,086	575,252	999	5,208
Loans on life insurance policies	290,775	213,994	-	-
Mortgage loans	11,988	40,161	-	-
Deposits with financial institutions	2,639,679	3,312,606	1,707	45,050
Totals	21,970,564	15,955,779	2,706	50,258

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

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

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

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

	Group	
	2011 Kshs '000	2010 Kshs '000
Direct Insurance		
Neither past due nor impaired	721,438	634,089
Past due but not impaired	841,383	616,356
Impaired	298,383	168,866
Gross	1,861,204	1,419,311
Less: allowance for impairment	(214,093)	(214,638)
Net	1,647,111	1,204,673
Re-insurance		
Neither past due nor impaired	10,686	95,719
Past due but not impaired	753,276	662,992
Impaired	503,329	140,671
Gross	1,267,291	899,382
Less: allowance for impairment	(10,625)	(10,625)
Net	1,256,666	888,757

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

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

	Group	
	2011 Kshs '000	2010 Kshs '000
Past due but not impaired:		
- by up to 30 days	284,424	320,167
- by 31 to 60 days	226,408	78,377
- by 61 to 150 days	236,759	144,885
- by 151 to 360 days	93,792	72,927
Total past due but not impaired	**841,383**	**616,356**

All receivables past due by more than 360 days are considered to be impaired, and are carried at their estimated recoverable value. No collateral is held in respect of receivables arising out of direct or reinsurance arrangements.

Receivables arising out of direct insurance arrangements individually impaired

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

Direct insurance arrangements

	Group	
	2011 Kshs '000	2010 Kshs '000
Individually assessed impaired receivables		
- brokers	172,846	91,706
- agents	45,926	21,317
- insurance companies	19,717	25,727
- direct clients	59,894	30,116
Total	**298,383**	**168,866**

(d) Liquidity risk

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

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

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Fair value estimation

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

Specific valuation techniques used to value financial instruments include:

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

Note that all of the resulting fair value estimates are included in level 2 except for certain forward foreign exchange contracts as explained below.

The following table presents the changes in level 3 instruments for the year ended 31 December 2011.

	Unquoted shares at fair value through profit or loss 2011 Kshs '000	Unquoted shares at fair value through profit or loss 2010 Kshs '000
Opening balance	1,052,957	1,051,593
Additions	20,552	-
Gains and losses recognised in other comprehensive income	3,256	1,117
Gains and losses recognised in profit or loss	892,173	3,626
Exchange variation	(7,938)	(3,379)
Closing balance (Note 19)	**1,961,000**	**1,052,957**
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period (Note 19)	892,173	3,626

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(e) Capital risk management

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

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

The table below summarises the minimum required capital across the Group and the 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.

	2011					
	Kenya Kshs'000	Uganda Kshs'000	Tanzania Kshs'000	Burundi Kshs'000	Mauritius Kshs'000	Total Kshs'000
Regulatory capital held	700,000	92,132	127,690	19,380	85,701	1,024,903
Minimum regulatory capital	450,000	75,169	55,042	19,380	75,000	674,591

	2010					
	Kenya Kshs'000	Uganda Kshs'000	Tanzania Kshs'000	Burundi Kshs'000	Mauritius Kshs'000	Total Kshs'000
Regulatory capital held	700,000	92,132	127,690	19,380	74,047	1,013,249
Minimum regulatory capital	450,000	75,169	55,042	19,380	75,000	674,591

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 25th March, 2003 and Government notice 189 published on 9th July, 2003.

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

5. SEGMENT INFORMATION

OPERATING SEGMENTS

Operating Segment results	Kshs '000			
for the year ended 31 December 2011	General	Ordinary, Group, Life & Pensions	Investments	Total
Gross earned premium revenue	10,186,021	1,872,795	-	12,058,816
Less: outward reinsurance	4,460,421	256,399	-	4,716,820
Net insurance premium revenue	**5,725,600**	**1,616,396**	**-**	**7,341,996**
Investment and other income	647,058	1,578,147	138,018	2,363,223
Commission earned	857,898	5,746	-	863,644
Total income	7,230,556	3,200,289	138,018	10,568,863
Claims and policy holders benefits payable	6,310,810	2,683,879	-	8,994,689
Claims recoverable from re-insurers	2,630,469	250,201	-	2,880,670
Net insurance benefits and claims	**3,680,341**	**2,433,678**	**-**	**6,114,019**
Operating and other expenses	1,216,808	474,520	113,003	1,804,331
Commission payable	1,175,280	405,140	-	1,580,420
Total expenses and commissions	**2,392,088**	**879,660**	**113,003**	**3,384,751**
Result of operating activities	1,158,127	(113,049)	25,015	1,070,093
Finance costs	-	-	(49,937)	(49,937)
Share of result of associates	182,456	127,070	814,209	1,123,735
Group profit before income tax	1,340,583	14,021	789,287	2,143,891
Income tax expense	345,366	(6,462)	(105,403)	233,501
Profit for the year	995,217	20,483	894,690	1,910,390

Operating Segment results	Kshs '000			
for the year ended 31 December 2010	General	Ordinary, Group, Life & Pensions	Investments	Total
Gross earned premium revenue	7,020,415	1,472,283	-	8,492,698
Less: outward reinsurance	2,832,790	299,772	-	3,132,562
Net insurance premium revenue	**4,187,625**	**1,172,511**	**-**	**5,360,136**
Investment and other income	561,042	1,214,550	373,700	2,149,292
Commission earned	606,607	-	20,887	627,494
Net fair value gains on financial assets at fair-value-through profit & loss	405,916	1,227,187	-	1,633,103
Total income	5,761,190	3,614,248	394,587	9,770,025
Claims and policy holders benefits payable	4,369,424	3,146,997	-	7,516,421
Claims recoverable from re-insurers	1,686,038	211,667	-	1,897,705
Net insurance benefits and claims	**2,683,386**	**2,935,330**	**-**	**5,618,716**
Operating and other expenses	822,525	377,201	115,328	1,315,054
Commission payable	833,932	309,606	-	1,143,538
Total expenses and commissions	**1,656,457**	**686,807**	**115,328**	**2,458,592**
Result of operating activities	1,421,347	(7,889)	279,259	1,692,717
Finance costs	-	-	(60,409)	(60,409)
Share of result of associates	54,181	62,075	304,723	420,979
Group profit before income tax	1,475,528	54,186	523,573	2,053,287
Income tax expense	228,271	12,443	(26,551)	214,163
Profit for the year	1,247,257	41,743	550,124	1,839,124

5. SEGMENT INFORMATION (CONTINUED)

Operating Segment results		Kshs '000		
for the year ended 31 December 2011	General	Ordinary, Group, Life & Pensions	Investments	Total
Property and equipment	58,765	28,783	4,373	91,921
Investment properties	95,701	2,570,331	921,591	3,587,623
Investment in associates	742,601	1,202,165	3,133,471	5,078,237
Investment in shares	1,214,492	4,065,081	1,292,113	6,571,686
Mortgage loans	-	11,988	-	11,988
Loans on life insurance policies	-	290,775	-	290,775
Government securities at amortised cost	2,023,394	8,240,623	-	10,264,017
Deposits with financial institutions	1,197,592	1,417,416	24,671	2,639,679
Commercial bonds	434,463	678,947	-	1,113,410
Premium receivables	2,733,794	169,983	-	2,903,777
Reinsurers' share of insurance contract liabilities	3,567,873	156,958	-	3,724,831
Deffered acquisition costs	176,230	-	-	176,230
Other receivables	190,747	283,312	8,075	482,134
Current income tax	-	-	58,869	58,869
Deferred income tax	14,636	7,933	-	22,569
Cash and bank balances	463,616	520,075	38,395	1,022,086
Total assets	12,913,904	19,644,370	5,481,558	38,039,832
Insurance contract liabilities	4,099,090	6,393,925	-	10,493,015
Provision on unearned premium	4,681,437	-	-	4,681,437
Payable under deposit administration contracts	-	12,408,082	-	12,408,082
Creditors arising out of direct insurance arrangements	241,162	-	-	241,162
Creditors arising out of reinsurance arrangements	965,487	81,800	-	1,047,287
Trade and other payables	409,041	436,209	183,022	1,028,272
Deferred income tax	12,548	63,508	14,596	90,652
Borrowings	-	-	1,245,509	1,245,509
Bank overdraft	84,490	8,275	-	92,765
Total liabilities	10,493,255	19,391,799	1,443,127	31,328,181
Net assets	2,420,649	252,571	4,038,431	6,711,651

Operating Segment results		Kshs '000		
for the year ended 31 December 2010	General	Ordinary, Group, Life & Pensions	Investments	Total
Property and equipment	39,399	15,928	5,841	61,168
Investment properties	280,000	1,665,226	937,719	2,882,945
Investment in associates	751,255	909,472	2,465,447	4,126,174
Investment in shares	1,932,681	4,727,673	65,619	6,725,973
Mortgage loans	10,052	30,109	-	40,161
Loans on life insurance policies	-	213,994	-	213,994
Government securities at amortised cost	1,068,465	5,266,802	8,751	6,344,018
Deposits with financial institutions	1,739,661	1,519,682	78,315	3,337,658
Commercial bonds	52,504	1,058,876	-	1,111,380
Premium receivables	2,007,528	85,902	-	2,093,430
Reinsurers' share of insurance contract liabilities	2,471,022	106,880	-	2,577,902
Deferred acquisition costs	112,143	-	-	112,143
Other receivables	217,642	96,390	114,990	429,022
Deferred income tax	12,101	511	7	12,619
Cash and bank balances	238,390	340,297	44,108	622,795
Total assets	10,932,843	16,037,742	3,720,797	30,691,382
Insurance contract liabilities	3,527,650	4,236,275	-	7,763,925
Provision on unearned premium	3,510,177	-	-	3,510,177
Payable under deposit administration contracts	-	10,400,858	-	10,400,858
Creditors arising out of direct insurance arrangements	402,187	-	-	402,187
Creditors arising out of reinsurance arrangements	514,590	138,409	-	652,999
Trade and other payables	635,970	239,217	59,567	934,755
Deferred income tax	65,541	-	31,663	97,204
Current income tax payable	14,410	8,325	-	22,735
Borrowings	-	-	1,207,598	1,207,598
Bank overdraft	84,811	36,770	-	121,581
Total liabilities	8,755,336	15,059,854	1,298,828	25,114,019
Net assets	2,177,507	977,888	2,421,969	5,577,363

5. SEGMENT INFORMATION (CONTINUED)

GEOGRAPHICAL SEGMENTS

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

Geographical Segment results	Kshs '000					
for the year ended 31 December 2011	Kenya	Uganda	Tanzania	Mauritius	Burundi	Total
Gross earned premium revenue	7,642,938	1,933,803	2,256,411	98,357	127,307	12,058,816
Less: outward reinsurance	1,730,507	1,243,080	1,566,831	71,068	105,334	4,716,820
Net insurance premium revenue	**5,912,431**	**690,723**	**689,580**	**27,289**	**21,973**	**7,341,996**
Investment and other income	1,910,859	332,138	112,776	3,367	4,083	2,363,223
Commission earned	336,930	250,031	236,577	24,069	16,037	863,644
Total income	8,160,220	1,272,892	1,038,933	54,725	42,093	10,568,863
Claims and policy holders benefits payable	6,654,981	1,241,554	950,389	95,803	51,962	8,994,689
Claims recoverable from re-insurers	1,397,618	841,442	525,644	70,551	45,415	2,880,670
Net insurance benefits and claims	**5,257,363**	**400,112**	**424,745**	**25,252**	**6,547**	**6,114,019**
Operating and other expenses	1,249,816	204,081	246,316	67,275	36,843	1,804,331
Commission payable	1,119,881	194,945	246,205	14,080	5,309	1,580,420
Total expenses and commissions	**2,369,697**	**399,026**	**492,521**	**81,355**	**42,152**	**3,384,751**
Result of operating activities	533,160	473,754	121,667	(51,882)	(6,606)	1,070,093
Finance costs	-	(49,937)	-	-	-	(49,937)
Share of result of associates	683,114	440,621	-	-	-	1,123,735
Group profit before income tax	1,216,274	864,438	121,667	(51,882)	(6,606)	2,143,891
Income tax expense	254,105	(58,592)	35,818	-	2,170	233,501
Profit for the year	962,169	923,030	85,849	(51,882)	(8,776)	1,910,390

	Kshs '000					
for the year ended 31 December 2010	Kenya	Uganda	Tanzania	Mauritius	Burundi	Total
Gross earned premium revenue	5,511,403	1,486,195	1,477,822	455	16,823	8,492,698
Less: outward reinsurance	1,192,962	957,502	964,986	289	16,823	3,132,562
Net insurance premium revenue	**4,318,441**	**528,693**	**512,836**	**166**	**-**	**5,360,136**
Investment and other income	1,794,002	288,548	61,057	5,429	256	2,149,292
Commission earned	246,625	205,771	174,514	111	473	627,494
Net fair value gains on financial assets at fair-value-through profit & loss	1,633,103	-	-	-	-	1,633,103
Total income	7,992,171	1,023,012	748,407	5,706	729	9,770,025
Claims and policy holders benefits payable	6,211,807	775,282	530,388	(1,325)	269	7,516,421
Claims recoverable from re-insurers	1,212,275	482,475	204,143	(1,420)	232	1,897,705
Net insurance benefits and claims	**4,999,532**	**292,807**	**326,245**	**95**	**37**	**5,618,716**
Operating and other expenses	894,245	226,109	177,259	10,306	7,135	1,315,054
Commission payable	823,059	138,919	181,398	67	95	1,143,538
Total expenses and commissions	**1,717,304**	**365,028**	**358,657**	**10,373**	**7,230**	**2,458,592**
Result of operating activities	1,275,335	365,177	63,505	(4,762)	(6,538)	1,692,717
Finance costs	-	(60,409)	-	-	-	(60,409)
Share of result of associates	184,356	121,551	-	115,072	-	420,979
Group profit before income tax	1,459,691	426,319	63,505	110,310	(6,538)	2,053,287
Income tax expense	101,090	95,338	17,735	-	-	214,163
Profit for the year	1,358,601	330,981	45,770	110,310	(6,538)	1,839,124

5. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities as at 31 December 2011	Kshs '000 Kenya	Uganda	Tanzania	Mauritius	Burundi	Total
Property and equipment	39,136	20,323	11,822	8,624	12,016	91,921
Investment properties	2,570,331	837,276	95,701	-	84,315	3,587,623
Investment in associates	3,300,782	1,777,455	-	-	-	5,078,237
Investment in shares	5,204,878	1,284,325	82,483	-	-	6,571,686
Mortgage loans	11,051	937	-	-	-	11,988
Loans on life insurance policies	290,775	-	-	-	-	290,775
Government securities at amortised cost	9,392,019	588,463	283,535	-	-	10,264,017
Deposits with financial institutions	1,443,869	552,299	582,276	22,832	38,403	2,639,679
Commercial bonds	1,060,096	53,314	-	-	-	1,113,410
Premium receivables	1,952,234	491,187	330,987	81,328	48,041	2,903,777
Reinsurers' insurance contract liabilities	1,528,422	1,055,203	933,126	145,528	62,552	3,724,831
Other receivables	217,455	(13,149)	1,577	(15,844)	(13,809)	176,230
Deferred acquisition costs	315,004	30,762	126,358	1,916	8,094	482,134
Current income tax	(73,590)	141,088	(8,629)	-	-	58,869
Deferred income tax	16,205	11,712	(5,668)	-	320	22,569
Cash and bank balances	548,308	283,037	76,194	71,586	42,961	1,022,086
Total assets	**27,816,975**	**7,114,232**	**2,509,762**	**315,970**	**282,893**	**38,039,832**
Insurance contract liabilities	8,866,237	951,086	597,541	53,544	24,607	10,493,015
Provision for unearned premium	2,841,660	760,863	874,650	142,307	61,957	4,681,437
Payable under deposit administration contracts	12,192,204	41,298	176,979	-	(2,399)	12,408,082
Creditors arising out of direct insurance	218,940	-	-	-	22,222	241,162
Creditors arising out of reinsurance	340,871	394,757	209,965	52,091	49,603	1,047,287
Trade and other payables	621,967	196,987	169,190	4,549	35,579	1,028,272
Deferred income tax	75,849	2,255	12,548	-	-	90,652
Current income tax payable	(34,578)	20,269	11,881	-	2,428	-
Borrowings	-	1,245,509	-	-	-	1,245,509
Bank overdraft	92,765	-	-	-	-	92,765
Total liabilities	**25,215,915**	**3,613,024**	**2,052,754**	**252,491**	**193,997**	**31,328,181**
Net assets	**2,601,060**	**3,501,208**	**457,008**	**63,479**	**88,896**	**6,711,651**

Segment assets and liabilities as at 31 December 2010	Kshs '000 Kenya	Uganda	Tanzania	Mauritius	Burundi	Total
Property and equipment	33,809	16,482	5,187	3,883	1,807	61,168
Investment properties	1,848,000	864,734	97,226	-	72,985	2,882,945
Investment in associates	2,226,712	1,389,294	-	510,168	-	4,126,174
Investment in shares	6,534,075	101,399	83,845	-	6,654	6,725,973
Mortgage loans	30,109	10,052	-	-	-	40,161
Loans on life insurance policies	213,994	-	-	-	-	213,994
Government securities at amortised cost	5,953,245	312,779	77,994	-	-	6,344,018
Deposits with financial institutions	2,330,921	475,635	502,174	25,052	3,876	3,337,658
Commercial bonds	1,058,876	52,504	-	-	-	1,111,380
Premium receivables	1,340,362	462,515	261,432	16,508	12,613	2,093,430
Reinsurers' insurance contract liabilities	1,020,745	775,481	763,521	18,155	-	2,577,902
Other receivables	221,079	119,295	-	29,057	59,591	429,022
Deferred acquisition costs	112,143	-	-	-	-	112,143
Deferred income tax	12,619	-	-	-	-	12,619
Cash and bank balances	300,756	215,943	84,095	9,152	12,849	622,795
Total assets	**23,237,445**	**4,796,113**	**1,875,474**	**611,975**	**170,375**	**30,691,382**
Insurance contract liabilities	6,697,844	594,519	446,856	24,706	-	7,763,925
Provision for unearned premium	2,070,797	641,204	790,533	7,643	-	3,510,177
Payable under deposit administration contracts	9,655,008	641,204	104,646	-	-	10,400,858
Creditors arising out of direct insurance	314,647	87,540	-	-	-	402,187
Creditors arising out of reinsurance	593,345	9,350	36,666	-	13,638	652,999
Trade and other payables	228,106	363,990	147,767	54,875	140,017	934,755
Deferred income tax	41,477	39,782	15,945	-	-	97,204
Current income tax payable	9,796	3,646	9,293	-	-	22,735
Borrowings	-	1,207,598	-	-	-	1,207,598
Bank overdraft	121,581	-	-	-	-	121,581
Total liabilities	**19,732,601**	**3,588,833**	**1,551,706**	**87,224**	**153,655**	**25,114,019**
Net assets	**3,504,844**	**1,207,280**	**323,768**	**524,751**	**16,720**	**5,577,363**

6. GROSS EARNED PREMIUM

Group

Short-Term business

Premium earned by principal class of business	2011			2010		
	Gross Kshs'000	Reinsurance Kshs'000	Net Kshs'000	Gross Kshs'000	Reinsurance Kshs'000	Net Kshs'000
Motor	2,353,806	231,977	2,121,829	1,489,271	142,664	1,346,607
Fire	1,160,928	836,656	324,272	1,140,225	940,723	199,502
Accident	2,487,961	1,519,732	968,229	1,810,554	978,615	831,939
Medical	3,395,885	1,262,942	2,132,943	2,191,318	582,593	1,608,725
Other	787,441	609,114	178,327	386,204	186,054	200,150
Total Short-Term	10,186,021	4,460,421	5,725,600	7,017,572	2,830,649	4,186,923

Long-Term business

Premium earned by principal class of business	2011			2010		
	Gross Kshs'000	Reinsurance Kshs'000	Net Kshs'000	Gross Kshs'000	Reinsurance Kshs'000	Net Kshs'000
Ordinary life	993,304	4,188	989,116	711,852	11,788	700,064
Group life	676,098	252,211	423,887	521,515	290,125	231,390
Pension/annuity	203,393	-	203,393	241,759	-	241,759
Total Long -Term	1,872,795	256,399	1,616,396	1,475,126	301,913	1,173,213
Total Short-Term and Long-Term	**12,058,816**	**4,716,820**	**7,341,996**	**8,492,698**	**3,132,562**	**5,360,136**

7. INVESTMENT INCOME

Group

Investment Income	2011 Kshs '000	2010 Kshs '000
Government securities interest	967,221	576,756
Fair value gain on investment properties (Note 16)	706,000	241,900
Bank deposit interest	319,361	357,439
Dividends receivable from equity investments	247,576	216,808
Rental income from investment properties (net of expenses)	220,151	219,141
Exchange gain	87,570	47,158
Realised gains on disposal of quoted shares	56,302	354,505
Interest on policy loans	46,259	28,384
Other income	31,964	37,583
Mortgage loan interest	9,983	6,848
Realised gains on disposal of government securities	-	62,770
Total	2,692,387	2,149,292

8. CLAIMS AND POLICY HOLDER BENEFITS PAYABLE

Group

Short-Term business

Claims payable by principal class of business	2011			2010		
	Gross Kshs'000	Reinsurance Kshs'000	Net Kshs'000	Gross Kshs'000	Reinsurance Kshs'000	Net Kshs'000
Motor	1,390,562	104,793	1,285,769	986,453	49,376	937,077
Fire	860,440	726,979	133,461	781,936	686,419	95,517
Accident	1,434,071	824,458	609,613	554,808	245,605	309,203
Medical	2,350,133	825,285	1,524,848	1,735,809	541,530	1,194,279
Other	275,604	148,954	126,650	279,991	163,556	116,435
Total Short-Term	6,310,810	2,630,469	3,680,341	4,338,997	1,686,486	2,652,511

Long-Term business

Claims payable by principal class of business	2011			2010		
	Gross Kshs'000	Reinsurance Kshs'000	Net Kshs'000	Gross Kshs'000	Reinsurance Kshs'000	Net Kshs'000
Ordinary life	293,154	1,316	291,838	227,790	505	227,285
Group life	369,521	247,368	122,153	295,707	210,714	84,993
Pension/annuity	216,599	-	216,599	195,041	-	195,041
Total Long -Term	879,274	248,684	630,590	718,538	211,219	507,319

Policy Holder Benefits

Increase in policy holders benefits	2011			2010		
	Gross Kshs'000	Reinsurance Kshs'000	Net Kshs'000	Gross Kshs'000	Reinsurance Kshs'000	Net Kshs'000
Ordinary life	611,111	-	611,111	348,188	-	348,188
Group life	123,098	1,517	121,581	170,920	-	170,920
Pension/annuity	1,070,396	-	1,070,396	1,939,778	-	1,939,778
Total Long -Term	1,804,605	1,517	1,803,088	2,458,886	-	2,458,886
Total Long -Term - Claims & policy holders benefits	2,683,879	250,201	2,433,678	3,177,424	211,219	2,966,205
Total Short-Term and Long - Term	8,994,689	2,880,670	6,114,019	7,516,421	1,897,705	5,618,716

9. OPERATING EXPENSES

Group

The following items have been included in operating expenses:

	2011 Kshs '000	2010 Kshs '000
Employee benefits expense (note 10)	915,215	709,837
Auditors' remuneration	15,257	13,678
Depreciation (Note 15)	27,086	26,414
Impairment charge for doubtful premium receivables	46,471	27,479
Operating lease rentals - land and buildings	75,868	94,499
Repairs and maintenance expenditure	12,456	9,212
Other expenses	711,978	433,935
Total	1,804,331	1,315,054

10. (i) EMPLOYEE BENEFITS EXPENSE

Group

	2011 Kshs '000	2010 Kshs '000
Wages and salaries	766,658	600,038
National Social Security Fund	38,179	14,400
Retirement benefit costs – defined contribution plan	28,655	24,339
Other benefits	81,723	71,060
Total	915,215	709,837

The number of persons employed by the Group at year-end was 553 (2010: 430).

(ii) Key management compensation and directors' remuneration

	2011 Kshs '000	2010 Kshs '000
Salaries and other employment benefits	137,835	135,951
Fees for services as directors	2,408	1,005
Total	140,243	136,956

11. INCOME TAX EXPENSE

Group

	2011 Kshs '000	2010 Kshs '000
Profit before income tax	2,143,891	2,053,287
Tax calculated at the enacted domestic tax rates	671,866	619,354
Effect of :		
Income not subject to income tax	(465,876)	(417,488)
Expenses not deductible for tax purposes	17,583	4,792
Others	9,928	7,505
Income tax charge	**233,501**	**214,163**
Current income tax	250,003	268,036
Deferred income tax (Note 25)	(16,502)	(53,873)
	233,501	**214,163**

12. SHARE CAPITAL

The total authorized number of ordinary shares is 70,000,000 (2010: 49,500,000) with a par value of Kshs 5 per share. At 31 December 2011 54,450,000 ordinary shares were in issue (2010: 49,500,000 ordinary shares). All issued shares are fully paid.

	Share Capital 2011 Kshs'000	Share Capital 2010 Kshs'000	Number of shares 2011 '000	Number of shares 2010 '000
Authorised	350,000	247,500	70,000	49,500
Issued and fully paid:				
At start of year	247,500	225,000	49,500	45,000
Bonus issue of shares	24,750	22,500	4,950	4,500
At end of year	**272,250**	**247,500**	**54,450**	**49,500**

13. RESERVES

a) Fair value reserves

	Group		Company	
	2011 Kshs '000	2010 Kshs '000	2011 Kshs '000	2010 Kshs '000
At start of year	(257,656)	(461,168)	(6,077)	2,028
Transfer of reserves on adoption of IFRS 9	-	9,715	-	-
Fair value loss from others	(24,788)	-	-	-
Fair value (losses)/gains through OCI	(261,182)	213,838	5,198	2,422
Transfer to retained earning on disposal	(9,750)	(20,041)	-	(10,527)
At end of year	**(553,376)**	**(257,656)**	**(879)**	**(6,077)**

The fair value reserve is non-distributable.

13. RESERVES (CONTINUED)

b) General reserves (Group)

	2011 Kshs '000	2010 Kshs '000
At start of year	70,000	70,000
Transfer to retained earnings	-	-
At end of year	70,000	70,000

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

c) Translation reserve (Group)

	2011 Kshs '000	2010 Kshs '000
At start of year	(14,942)	22,957
Movement for the year	(199,111)	(37,899)
At end of year	(214,053)	(14,942)

d) Contingency reserve (Group)

	2011 Kshs '000	2010 Kshs '000
At start of year	414,404	232,225
Transfer from retained earnings	57,721	182,179
At end of year	472,125	414,404

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

14. DIVIDENDS PER SHARE

Proposed dividend is accounted for as a separate component of equity until ratified at an Annual General Meeting. During the year an interim dividend of Kshs 54.45 million was paid (2010: Kshs 49.5 million) or Kshs 1.00 per share (2010: Kshs 1.00 per share). At the Annual General Meeting to be held on 23rd May, 2012 a final dividend of Kshs 245.025 million (2010: Kshs 222.75 million) is to be proposed, which is Kshs 4.50 per share (2010: Kshs 4.50). The total dividend is therefore Kshs 299.475 million (2010: Kshs 272.25million) or Kshs 5.50 per share (2010: Kshs 5.50 per share).

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

15. PROPERTY AND EQUIPMENT

Group

Year ended 31 December 2011	Computer equipment Kshs '000	Motor vehicles Kshs '000	Furniture, fixtures, fittings & office equipment Kshs '000	Total Kshs '000
Cost				
At start of year	188,425	38,064	153,628	380,117
Additions	30,029	6,318	31,039	67,386
Disposals	(2,011)	(3,000)	(2,441)	(7,452)
Exchange adjustment	(3,510)	(1,954)	(3,922)	(9,386)
At end of year	**212,933**	**39,428**	**178,304**	**430,665**
Depreciation				
At start of year	170,156	25,161	123,611	318,928
Charge for the year	19,459	5,174	11,551	36,184
On disposals	(3,138)	(2,775)	(1,357)	(7,270)
Exchange adjustment	(3,685)	(1,670)	(3,743)	(9,098)
At end of year	**182,792**	**25,890**	**130,062**	**338,744**
Net book value	30,141	13,538	48,242	91,921

Year ended 31 December 2010	Computer equipment Kshs '000	Motor vehicles Kshs '000	Furniture, fixtures, fittings & office equipment Kshs '000	Total Kshs '000
Cost				
At start of year	169,922	30,762	146,126	346,810
Additions	19,076	10,530	10,336	39,942
Disposals	-	(2,717)	(1,613)	(4,330)
Exchange adjustment	(568)	(511)	(1,202)	(2,281)
At end of year	**188,430**	**38,064**	**153,647**	**380,141**
Depreciation				
At start of year	155,573	22,975	117,985	296,533
Charge for the year	14,583	4,674	7,112	26,369
On disposals	-	(2,488)	(1,486)	(3,974)
Exchange adjustment	21	5	19	45
At end of year	**170,177**	**25,166**	**123,630**	**318,973**
Net book value	18,253	12,898	30,017	61,168

16. INVESTMENT PROPERTIES

	Group		Company	
Investment Property	2011 Kshs '000	2010 Kshs '000	2011 Kshs '000	2010 Kshs '000
At start of year	2,882,945	2,573,932	-	760,000
Net additions/(disposals)	28,333	72,868	-	(760,000)
Exchange difference	(29,655)	(5,755)	-	-
Fair value gains (note 7)	706,000	241,900	-	-
At end of year	3,587,623	2,882,945	-	-

The valuation of investment properties was carried out by Pam Golding Properties on the basis of open market value. Investment properties include properties situated outside Kenya valued at Kshs 1,017 million (2010: Kshs 859 million).

17. INVESTMENT IN ASSOCIATED COMPANIES AND SUBSIDIARIES

i. INVESTMENT IN ASSOCIATED COMPANIES

Movement in Net Assets

Group

Year 2011	Opening Balance Kshs'000	Additions /Transfers Kshs'000	Dividends received Kshs'000	Share of result Kshs'000	Translation gain Kshs'000	Closing Balance Kshs'000
IPS Power Investments Ltd	169,268	-	-	-	-	169,268
PDM (Holding) Limited	1,016,227	-	(10,160)	224,220	-	1,230,287
Bujagali Holding Power Company Limited	1,298,208	-	-	440,621	-	1,738,829
FCL Holding Ltd	1,132,303	-	(161,511)	170,612	-	1,141,404
IPS Cable Holding Systems Ltd	510,167	-	-	288,282	-	798,449
Total	4,126,173	-	(171,671)	1,123,735	-	5,078,237

Year 2010	Opening Balance Kshs'000	Additions /Transfers Kshs'000	Dividends received Kshs'000	Share of result Kshs'000	Translation gain Kshs'000	Closing Balance Kshs'000
IPS Power Investments Ltd	169,268	-	-	-	-	169,268
PDM (Holding) Limited	962,007	-	(10,161)	64,381	-	1,016,227
Bujagali Holding Power Company Limited	1,135,895	-	-	105,326	56,987	1,298,208
FCL Holding Ltd	1,048,054	-	(51,951)	136,200	-	1,132,303
IPS Cable Holding Systems Ltd	395,096	-	-	115,072	-	510,168
Total	3,710,320	-	(62,112)	420,979	56,987	4,126,174

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

The latest available financial statements for Bujagali Holding Power Company Limited and IPS Cable Holdings Systems have been equity accounted for in these financial statements. Being start up infrastructure investment companies, this represents the best available information. The directors have assessed and believe that the carrying values of these associated companies are not impaired.

Movement in Net Assets

Company

Year 2011	Opening Balance Kshs'000	Additions /Transfers Kshs'000	Dividends received Kshs'000	Share of result Kshs'000	Translation gain Kshs'000	Closing Balance Kshs'000
FCL Holding Ltd	565,985	-	(72,325)	85,305	-	578,965
IPS Cable Holding Systems Ltd	510,168	-	-	288,282	-	798,450
Total	1,076,153	-	(72,325)	373,587	-	1,377,415

Year 2010	Opening Balance Kshs'000	Additions /Transfers Kshs'000	Dividends received Kshs'000	Share of result Kshs'000	Translation gain Kshs'000	Closing Balance Kshs'000
FCL Holding Ltd	524,027	-	(26,142)	68,100	-	565,985
IPS Cable Holding Systems Ltd	395,096	-	-	115,072	-	510,168
Total	919,123	-	(26,142)	183,172	-	1,076,153

17. INVESTMENT IN ASSOCIATED COMPANIES AND SUBSIDIARIES (CONTINUED)

Group

Interest in principal associates Year 2011	Country of Incorporation Kshs'000	Assets Kshs'000	Liabilities Kshs'000	Revenues Kshs'000	Profit Kshs'000	Interest Held Kshs'000
IPS Power Investments Ltd	Kenya	4,923,650	2,195,511	5,451,271	720,128	27%
PDML (Holding) Limited	Kenya	4,383,664	792,480	359,997	444,352	37%
Bujagali Holding Power Company Limited	Uganda	27,653,993	19,381,706	1,099,254	1,088,081	25%
FCL Holding Ltd	Kenya	3,388,087	1,114,642	5,515,035	545,473	30%
IPS Cable Holding Systems Ltd	Mauritius	7,557,609	4,989,833	1,094,059	864,846	33%
Total		47,907,003	28,474,172	13,519,616	3,662,880	

Interest in principal associates Year 2010	Country of Incorporation Kshs'000	Assets Kshs'000	Liabilities Kshs'000	Revenues Kshs'000	Profit Kshs'000	Interest Held Kshs'000
IPS Power Investments Ltd	Kenya	4,923,650	2,195,511	5,451,271	720,128	27%
PDML (Holding) Limited	Kenya	3,795,498	491,131	319,968	205,651	37%
Bujagali Holding Power Company Limited	Uganda	52,649,323	35,295,260	13,940,195	1,280,643	25%
FCL Holding Ltd	Kenya	3,108,600	817,437	4,144,164	452,227	30%
IPS Cable Holding Systems Ltd	Mauritius	7,075,025	5,377,251	618,639	355,819	33%
Total		71,552,096	44,176,590	24,474,237	3,014,468	

Company

Interest in principal associates Year 2011	Country of Incorporation Kshs'000	Assets Kshs'000	Liabilities Kshs'000	Revenues Kshs'000	Profit Kshs'000	Interest Held Kshs'000
FCL Holding Ltd	Kenya	3,388,087	1,114,642	5,515,035	545,473	15%
IPS Cable Holding Systems Ltd	Mauritius	7,557,609	4,989,833	1,094,059	864,846	33%
Total		10,945,696	6,104,475	6,609,094	1,410,319	

Interest in principal associates Year 2010	Country of Incorporation Kshs'000	Assets Kshs'000	Liabilities Kshs'000	Revenues Kshs'000	Profit Kshs'000	Interest Held Kshs'000
FCL Holding Ltd	Kenya	3,108,600	817,437	4,144,164	452,227	15%
IPS Cable Holding Systems Ltd	Mauritius	7,075,025	5,377,251	618,639	355,819	33%
Total		10,183,625	6,194,688	4,762,803	808,046	

17. INVESTMENT IN ASSOCIATED COMPANIES AND SUBSIDIARIES (CONTINUED)

ii. INVESTMENT IN SUBSIDIARIES

Company	Share Capital 2011 Kshs'000	Share Capital 2010 Kshs'000	% Equity Held 2011	% Equity Held 2010
Jubilee Insurance Company of Kenya Limited	450,000	450,000	100%	100%
Jubilee Insurance Company of Tanzania Limited	72,911	72,911	51%	51%
Jubilee Insurance Company of Uganda Limited	25,195	25,195	65%	65%
Jubilee Insurance (Mauritius) Limited	59,492	59,492	80%	80%
Jubilee Financial Services Limited (Kenya)	50,498	50,498	100%	100%
Jubilee Investment Company Limited (Uganda)	1,103,707	1,103,707	100%	100%
Jubilee Investment Company Limited (Tanzania)	298	298	100%	100%
Jubilee Investment Company Limited (Burundi)	426	426	100%	100%
Total	1,762,527	1,762,527		

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 Group holds 70% of Jubilee Insurance Burundi through Jubilee Investments Burundi (33%), Jubilee Investment Tanzania (4%) and Jubilee Investments Uganda (33%). The Group holds 80% of Jubilee Center Burundi a property investment company through it's subsidiary Jubilee Investment Company of Burundi.

18. QUOTED SHARES

Group

	FV Through P/L 2011 Kshs'000	FV Through OCI 2011 Kshs'000	Total 2011 Kshs'000	FV Through P/L 2010 Kshs'000	FV Through OCI 2010 Kshs'000	Total 2010 Kshs'000
At start of year	5,075,100	597,916	5,673,016	3,195,710	844,586	4,040,296
Additions	98,930	653,175	752,105	1,168,662	23,265	1,191,927
Disposals	(254,970)	(61,716)	(316,686)	(918,749)	(457,981)	(1,376,730)
Transfer to retained earnings on disposal	-	(9,750)	(9,750)	-	(20,041)	(20,041)
Reclassification FVTPL - FVTOCI	42,890	(42,890)	-	-	-	-
Fair value (loss)/ gains through other comprehensive income	-	(261,855)	(261,855)	-	219,841	219,841
Fair value (loss)/ gains through profit and loss	(1,221,337)	-	(1,221,337)	1,629,477	-	1,629,477
Exchange loss	(1,046)	(3,761)	(4,807)	-	(11,754)	(11,754)
At end of year	3,739,567	871,119	4,610,686	5,075,100	597,916	5,673,016

Company

	FV Through P/L 2011 Kshs'000	FV Through OCI 2011 Kshs'000	Total 2011 Kshs'000	FV Through P/L 2010 Kshs'000	FV Through OCI 2010 Kshs'000	Total 2010 Kshs'000
At start of year	-	16,329	16,329	-	402,568	402,568
Disposals	-	-	-	-	(378,134)	(378,134)
Transfer to retained earnings on disposal	-	-	-	-	(10,527)	(10,527)
Fair value gains through other comprehensive income	-	1,941	1,941	-	2,422	2,422
At end of year	-	18,270	18,270	-	16,329	16,329

19. UNQUOTED SHARES

Group

	FV Through P/L 2011 Kshs'000	FV Through OCI 2011 Kshs'000	Total 2011 Kshs'000	FV Through P/L 2010 Kshs'000	FV Through OCI 2010 Kshs'000	Total 2010 Kshs'000
At start of year	1,015,121	37,836	1,052,957	1,011,495	40,098	1,051,593
Additions/transfers	2,235	18,317	20,552	-	-	-
Fair value gains through other comprehensive income	-	3,256	3,256	-	1,117	1,117
Fair value gains through profit and loss	892,173	-	892,173	3,626	-	3,626
Exchange loss	-	(7,938)	(7,938)	-	(3,379)	(3,379)
At end of year	**1,909,529**	**51,471**	**1,961,000**	**1,015,121**	**37,836**	**1,052,957**

Company

	FV Through P/L 2011 Kshs'000	FV Through OCI 2011 Kshs'000	FV Through P/L 2010 Kshs'000	FV Through OCI 2010 Kshs'000	Total 2010 Kshs'000
At start of year	-	6,081	-	6,081	6,081
Fair value gains through other comprehensive income	-	3,256	-	-	-
At end of year	**-**	**9,337**	**-**	**6,081**	**6,081**

20. LOANS RECEIVABLE

Group

(i) Mortgage Loans	2011 Kshs '000	2010 Kshs '000
At start of year	40,161	51,235
Loans advanced	2,000	-
Accrued Interest and penalties	3,518	4,808
Less: Provision for impairment losses during the year	6,835	682
Redemptions/repayments	(40,537)	(14,887)
Exchange difference	11	(1,677)
At end of year	**11,988**	**40,161**
Maturity profile of mortgage loans		
Loans maturing		
Within 1 year	26	7,106
In 1-5 years	7,433	24,300
In over 5 years	4,529	8,755
Total	**11,988**	**40,161**

Group

(ii) Loans on life insurance policies	2011 Kshs '000	2010 Kshs '000
At start of year	213,994	196,324
Loans advanced	119,081	59,706
Interest	38,436	28,914
Loan repayments	(91,315)	(71,254)
Impairment charge	10,579	304
At end of year	**290,775**	**213,994**
Maturity profile of policy loans		
Loans maturing		
Within 1 year	42,718	20,454
In 1-5 years	152,659	63,255
In over 5 years	95,398	130,285
Total	**290,775**	**213,994**

21. GOVERNMENT SECURITIES AT AMORTISED COST

Group

	2011 Kshs '000	2010 Kshs '000
Treasury bills maturing within 91 days of the date of acquisition	199,896	-
Treasury bills maturing after 91 days of the date of acquisition	237,522	-
Treasury bonds maturing within 1 year	525,765	627,611
Treasury bonds maturing in 1-5 years	2,003,299	326,413
Treasury bonds maturing after 5 years	7,297,535	5,389,994
Total	**10,264,017**	**6,344,018**

22. REINSURERS' SHARE OF INSURANCE CONTRACT LIABILITIES

Group

Reinsurers' share of:	2011 Kshs '000	2010 Kshs '000
- Unearned premium (Note 30)	1,804,235	1,438,051
- Notified claims outstanding and IBNR (Note 35)	1,920,596	1,139,851
Total	3,724,831	2,577,902

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

23. DEFERRED ACQUISITION COSTS

Group

	2011 Kshs '000	2010 Kshs '000
At start of year	112,143	123,525
Net increase/(decrease)	63,239	(17,645)
Translation gain	848	6,263
At end of year	176,230	112,143

24. OTHER RECEIVABLES

	Group		Company	
	2011 Kshs '000	2010 Kshs '000	2011 Kshs '000	2010 Kshs '000
Deposits - Office rent and utilities	835	-	-	-
Prepayments	20,852	245,257	-	-
Unaccounted expenses and advances	7,133	-	-	-
Staff accounts	2,598	2,872	-	-
Sundry debtors	450,716	180,893	102	9
Total	482,134	429,022	102	9

25. 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% (2010: 30%). The movement in the deferred income tax account is as follows:

	Group		Company	
	2011 Kshs '000	2010 Kshs '000	2011 Kshs '000	2010 Kshs '000
At start of year	84,585	184,755	12,237	122,683
Income statement charge	(16,502)	(53,873)	-	(64,149)
Crystalised during the year	-	(46,297)	-	(46,297)
At end of year	**68,083**	**84,585**	**12,237**	**12,237**
Deferred income tax asset	22,569	12,619	-	-
Deferred income tax liability	90,652	97,204	12,237	12,237
Net deferred income tax liability	**68,083**	**84,585**	**12,237**	**12,237**

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

	Group Kshs '000				Company Kshs '000			
	1st January 2011	Charged P&L	Crystalised in the year	31st December 2011	1st January 2011	Charged P&L	Crystalised in the year	31st December 2011
Fair value gains on investment properties	133,354	(750)	-	132,604	-	-	-	-
Accelerated depreciation	(35,967)	(563)	-	(36,530)	-	-	-	-
Impairment provisions and other deductible temporary difference	(25,421)	(5,720)	-	(31,141)	-	-	-	-
Other deductible temporary differences	12,619	(9,469)	-	3,150	12,237	-	-	12,237
Net deferred income tax liability	**84,585**	**(16,502)**	**-**	**68,083**	**12,237**	**-**	**-**	**12,237**
	1st January 2010	Charged P&L	Crystalised in the year	31st December 2010	1st January 2010	Charged P&L	Crystalised in the year	31st December 2010
Fair value gains on investment properties	223,480	(43,829)	(46,297)	133,354	120,973	(74,676)	(46,297)	-
Accelerated depreciation	(14,992)	(20,975)	-	(35,967)	-	-	-	-
Impairment provisions and other deductible temporary difference	(23,733)	(1,688)	-	(25,421)	-	-	-	-
Other deductible temporary differences	-	12,619	-	12,619	1,710	10,527	-	12,237
Net deferred income tax liability	**184,755**	**(53,873)**	**(46,297)**	**84,585**	**122,683**	**(64,149)**	**(46,297)**	**12,237**

26. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2011 Kshs '000	2010 Kshs '000	2011 Kshs '000	2010 Kshs '000
Cash and bank balances	1,022,086	622,795	999	5,208
Short-term deposits with banks	2,639,679	3,337,658	1,707	45,050
Bank overdraft (Note 32)	(92,765)	(121,581)	-	-
Total	**3,569,000**	**3,838,872**	**2,706**	**50,258**

27. EARNINGS PER SHARE

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

Group

	2011 Kshs '000	2010 Kshs '000
Net profit attributable to Shareholders (Kshs `000)	1,802,457	1,755,761
Adjusted weighted average number of ordinary shares in issue (thousands)	54,450	54,450
Earnings per share (Shs)-Basic and diluted (2010 restated)	**33**	**32**

There were no potentially dilutive shares in issue at 31 December 2011 and 31 December 2010. Diluted earnings per share are therefore the same as basic earnings per share. The 2010 earnings per share has been adjusted to incorporate increase in number of shares as a result of a bonus share issue in 2011.

28. INSURANCE CONTRACT LIABILITIES

	2011 Kshs '000	2010 Kshs '000
Short-Term insurance contracts		
- Claims reported and claims handling expenses	3,326,458	2,306,036
- Claims incurred but not reported	772,633	509,108
Total Short-Term	4,099,091	2,815,144
Long Term insurance contracts		
- Claims reported and claims handling expenses	424,268	353,601
- Actuarial value of long term liabilities	5,969,656	4,595,180
Total Long-Term	6,393,924	4,948,781
Total gross insurance liabilities	**10,493,015**	**7,763,925**

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 2011 and 2010 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.

28. INSURANCE CONTRACT LIABILITIES (CONTINUED)

Short – Term insurance contracts

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

Accident year	2007 Kshs'000	2008 Kshs'000	2009 Kshs'000	2010 Kshs'000	2011 Kshs'000	Total Kshs'000
Estimate of ultimate claims cost						
at end of accident year	203,000	233,232	546,306	706,902	3,430,779	5,120,219
one year later	192,707	251,040	357,093	1,413,354	-	2,214,194
two years later	27,215	92,406	298,804	-	-	418,425
three years later	54,259	98,101	-	-	-	152,360
four years later	52,577	-	-	-	-	52,577
Incurred per accident year	255,683	380,067	450,811	1,413,354	3,430,779	5,930,694
Current estimate of cumulative claims	(160,917)	(172,130)	-	-	93,889	(239,158)
Less: cumulative payments to date	(12,453)	(30,986)	(59,513)	(360,208)	(1,849,784)	(2,312,944)
Total gross claims liability included in the balance sheet before IBNR	**82,313**	**176,951**	**391,298**	**1,053,146**	**1,622,750**	**3,326,458**
Incurred but not reported	-	-	-	-	772,633	772,633
Total gross claims liability included in the balance sheet	**82,313**	**176,951**	**391,298**	**1,053,146**	**2,395,383**	**4,099,091**

Long-Term insurance contracts

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

Valuation assumptions

The latest actuarial valuation of the life fund was carried out as at 31 December, 2011 by Actuarial Partners Consulting Sdn Bhd, consulting actuaries. In determining the statutory policy liabilities, the Net Premium Value (NPV) method and the assumptions specified in the Seventh Schedule of the Insurance Regulations, 1986, were used for policies valued by way of discounted cash flows. Other policy liabilities were valued as described below:

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

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

iii. Under the riders ADB, (ADB, TPD, WOP) combined and (ADB, TPD) combined, a reserve of one year's office premium was held previously. As at 31.12.2011, the reserve will be held equal to the unearned portion of the office premium plus Incurred But Not Reported (IBNR) claims reserve.

iv. Under Deposit Administration the reserve was taken equal to amount of the fund at the valuation date, including the 2011 bonus declaration.

v. Under the non-participating universal life policies, the reserve was calculated as equal to fund value at 31 December, 2011.

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

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

28. INSURANCE CONTRACT LIABILITIES (CONTINUED)

Sensitivity analysis

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

Sensitivity	Statutory Result	
Published	**12,840,162**	
Lapses +5%	12,840,162	0%
Mortality annuities: -20% insurance: +20%	12,840,162	0%
Mortality annuities: +20% insurance: -20%	12,840,162	0%
Inflation +1%	12,840,162	0%
Investment Return -1%	12,840,162	0%
Expenses +10%	12,840,162	0%

29. PAYABLE UNDER DEPOSIT ADMINISTRATION CONTRACTS

Group

	2011 Kshs '000	2010 Kshs '000
At start of year	10,400,858	7,644,098
Pension fund deposits received	2,848,778	2,164,230
Surrenders and annuities paid	(1,297,030)	(815,560)
Interest credited to deposit administration policyholders	459,071	1,419,577
Translation loss	(3,595)	(11,487)
At end of year	12,408,082	10,400,858

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, 2011.

30. UNEARNED PREMIUM RESERVE

Group

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

Unearned premium reserve

	2011			2010		
	Gross Kshs'000	Reinsurance Kshs'000	Net Kshs'000	Gross Kshs'000	Reinsurance Kshs'000	Net Kshs'000
At start of year	3,510,176	1,438,051	2,072,125	2,512,986	686,916	1,826,070
Increase in the period (net)	1,171,261	366,184	805,077	997,191	751,135	246,056
At end of year	4,681,437	1,804,235	2,877,202	3,510,177	1,438,051	2,072,126

31. TRADE AND OTHER PAYABLES

Trade & other payables	Group		Company	
	2011 Kshs '000	2010 Kshs '000	2011 Kshs '000	2010 Kshs '000
Payroll liabilities	4,961	2,510	-	-
VAT payable	7,291	16,980	-	-
Withholding taxes payable	29,022	18,191	-	-
Other liabilites	375,555	262,880	100	182
Leave pay accrual	14,808	-	-	-
Other accruals	462,660	518,798	2,845	4,696
Total	894,297	819,359	2,945	4,878

32. BORROWINGS

The borrowings are made up as follows:

Group

	2011 Kshs '000	2010 Kshs '000
Bank overdraft	92,765	121,581
Bank borrowing	1,245,509	1,207,598
Total borrowing	1,338,274	1,329,179

The bank borrowing relates to a loan of USD 15 million advanced by CFC Stanbic Bank Limited to The Jubilee Investments Company Limited (Uganda) to finance the investment in Bujagali Hydro-electric project in Uganda. The loan attracts an interest of 3.75% per annum and is repaid at the rate of USD 562,500. The principal amount will be repaid at the end of the 4 year term. The loan is secured by corporate guarantee from the Company.

33. CONTINGENT LIABILITIES, COMMITMENTS AND OFF BALANCE SHEET ITEMS

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

Treasury bonds of Kshs 1,440 million are held under lien with the Central Bank of Kenya as security deposit in favor of the Commissioner of Insurance as required under the provisions of section 32 of Kenya Insurance Act, Kshs 15.7 million are held under lien with the Bank of Uganda as security deposit in favor of the Commissioner of Insurance as required under the provisions of section 7 (i) of Uganda Insurance Act and Kshs 47.7 million are held under lien with the Bank of Tanzania as security deposit in favor of the Commissioner of Insurance as required under the provisions of Tanzania Insurance Act.

The Group does not have any material outstanding commitments. The Group has a Kshs 30 million overdraft guarantee and letters of guarantee amounting to Kshs 149 million with Diamond Trust Bank Kenya Limited.

34. 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.

Group

(i) Transactions with related parties (Group)	2011 Kshs '000	2010 Kshs '000
Gross premium:		
Diamond Trust Bank Limited	11,950	48,648
Industrial Promotion Services (Kenya) Limited	113,355	91,193
TPS Eastern Africa Limited	10,829	9,557
Property Development and Management Limited	129,268	5,592
Nation Media Group	377,169	85,069
Total	642,571	240,059
Net claims incurred:		
Diamond Trust Bank Limited	269,012	35,811
Industrial Promotion Services (Kenya) Limited	90,158	52,219
TPS Eastern Africa Limited	21,894	506,957
Property Development and Management Limited	5,183	2,091
Nation Media Group	83,379	85,073
Total	469,626	682,151
Services received from:		
Industrial Promotion Services (Kenya) Limited	4,897	4,305
TPS Eastern Africa Limited	827	1,033
Property Development and Management Limited	542	5,022
Nation Media Group	5,089	3,218
Total	11,355	13,578
ii) Balances with related parties		
Outstanding premium:		
Diamond Trust Bank Limited	30,435	20,143
Industrial Promotion Services (Kenya) Limited	2,070	2,117
TPS Eastern Africa Limited	412	51
Property Development and Management Limited	20	19
Nation Media Group	6,029	5,489
Total	38,966	27,819
Outstanding claims:		
Diamond Trust Bank Limited	18,032	3,538
Industrial Promotion Services (Kenya) Limited	19,786	42,695
TPS Eastern Africa Limited	107,332	22,749
Property Development and Management Limited	168	490
Nation Media Group	57,157	36,521
Total	202,475	105,993
Deposits with financial institutions		
Diamond Trust Bank Limited	1,684,534	1,552,108
Total	1,684,534	1,552,108
Interest received from financial institutions		
Diamond Trust Bank Limited	101,354	193,215
Total	101,354	193,215

34. RELATED PARTY TRANSACTIONS (CONTINUED)

Company

Transactions with related parties	2011 Kshs '000	2010 Kshs '000
Due from related parties:		
Jubilee Center Burundi	6,435	-
Jubilee Insurance Company of Kenya Limited	-	31,480
Jubilee Insurance Company of Tanzania Limited	-	6,224
Jubilee Insurance Company of Uganda Limited	-	11,446
Jubilee Insurance (Mauritius) Limited	71,015	51,201
Jubilee Investment Company Limited (Uganda)	-	27,813
Jubilee Financial Services Limited (Kenya)	8,356	-
Jubilee Investment Company Limited (Tanzania)	468	2,409
Jubilee Insurance Company of Burundi Limited	24,213	13,586
Jubilee Investment Company Limited (Burundi)	57,388	125,779
Total	167,875	269,938
Due to related parties		
Jubilee Insurance Company of Kenya Limited	291,177	555,454
Jubilee Insurance Company of Tanzania Limited	9,371	2,482
Jubilee Insurance Company of Uganda Limited	14,947	38,948
Jubilee Insurance (Mauritius) Limited	-	23,398
Jubilee Investment Company Limited (Uganda)	305,988	157,920
Jubilee Financial Services Limited (Kenya)	-	5,650
Jubilee Insurance Company of Burundi Limited	-	11,135
Jubilee Investment Company Limited (Burundi)	-	58,055
Total	621,483	853,042
Net owing	453,608	583,104

35. MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

Group

(i) Short-Term insurance business

	2011			2010		
	Gross Kshs'000	Reinsurance Kshs'000	Net Kshs'000	Gross Kshs'000	Reinsurance Kshs'000	Net Kshs'000
Notified claims	2,306,036	832,861	1,473,175	2,213,174	771,780	1,441,394
Incurred but not reported	509,108	200,111	308,997	525,460	134,734	390,726
Total at start of year	2,815,144	1,032,972	1,782,172	2,738,634	906,514	1,832,120
Cash paid for claims settled in year	(4,655,624)	(1,792,814)	(2,862,810)	(2,869,214)	(898,436)	(1,970,778)
Increase in liabilities						
arising from current year claims	2,973,546	1,706,569	1,266,977	1,340,153	667,277	672,876
arising from prior year claims	2,966,025	816,910	2,149,115	1,605,571	357,617	1,247,954
Total at end of year	**4,099,091**	**1,763,637**	**2,335,454**	**2,815,144**	**1,032,972**	**1,782,172**
Notified claims	3,326,458	1,401,597	1,924,861	2,306,036	832,861	1,473,175
Incurred but not reported	772,633	362,040	410,593	509,108	200,111	308,997
Total at end of year	**4,099,091**	**1,763,637**	**2,335,454**	**2,815,144**	**1,032,972**	**1,782,172**

(ii) Long-Term insurance business

	2011			2010		
	Gross Kshs'000	Reinsurance Kshs'000	Net Kshs'000	Gross Kshs'000	Reinsurance Kshs'000	Net Kshs'000
Notified claims	353,601	106,879	246,722	243,457	55,571	187,886
Actuarial value of policy holders benefits	4,595,180	-	4,595,180	3,607,214	-	3,607,214
Total at start of year	353,601	106,879	246,722	243,457	55,571	187,886
Cash paid for claims settled in year	(434,871)	(154,646)	(280,225)	(407,586)	(151,799)	(255,787)
Increase in liabilities						
arising from current year claims	113,423	42,141	71,282	110,144	75,321	34,823
arising from prior year claims	392,115	162,585	229,530	407,586	127,286	280,300
Total at end of year	**424,268**	**156,959**	**267,309**	**353,601**	**106,379**	**247,222**
Notified claims	424,268	156,959	267,309	353,601	106,879	246,722
Actuarial value of policy holders benefits	5,969,656	-	5,969,656	4,595,180	-	4,595,180
Total at end of year	**6,393,924**	**156,959**	**6,236,965**	**4,948,781**	**106,879**	**4,841,902**
Total at end of year Long-Term + Short term	**10,493,015**	**1,920,596**	**8,572,419**	**7,763,925**	**1,139,851**	**6,624,074**

36. HEDGE RESERVES

The Group has hedged the foreign exchange movement of its US$ 15m investment in Bujagali Holding Power Company Limited by borrowing a US$ 15m denominated loan. The hedge is expected to be 89% effective for the next three year period. The hedge reserve is included in the translation reserve. Below is the movement in the hedge reserve:

	2011 Kshs '000	2010 Kshs '000
Loan translation difference	76,256	(182,015)
Currency translation difference	-	210,017
Balance of the hedge reserve	**76,256**	**28,002**

SUPPLEMENTARY INFORMATION

GROUP REVIEW—TEN YEARS

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Group Review 10 years					Kshs million					
Shareholders' Funds	6153	5,114	3,389	2,871	3,606	3,393	2,370	2,094	2,029	1,711
Share Capital	272	248	225	225	225	180	180	180	180	180
Long-Term Business Funds	18,802	14,637	11,495	11,730	9,333	6,504	5,115	4,081	3,310	2,812
Total Assets	38,040	30,691	23,736	20,203	17,942	15,356	11,591	9,724	8,406	6,629
Profit Before Tax	2,144	2,053	1,116	901	810	665	471	359	313	213
Profit Attributable to Shareholders	1,802	1,756	825	636	617	528	348	241	213	164
Profit Attributable to Non - Controlling interest	108	83	89	77	46					
Dividends to Shareholders	299	272	203	191	191	153	144	90	81	63
Dividend Cover Ratio	6.02	6.45	4.07	3.33	3.23	3.45	2.42	2.68	2.63	2.61
Bonus Issue	1:10	1:10	1:10	-	1:04	-	-	-	-	-
*Earnings Per Share {(Kshs) (par value Kshs 5)	33.10	32.25	15.15	11.68	11.33	9.70	6.39	4.43	3.91	3.01

* Earnings per share has been calculated on 54.45 million shares for all the years


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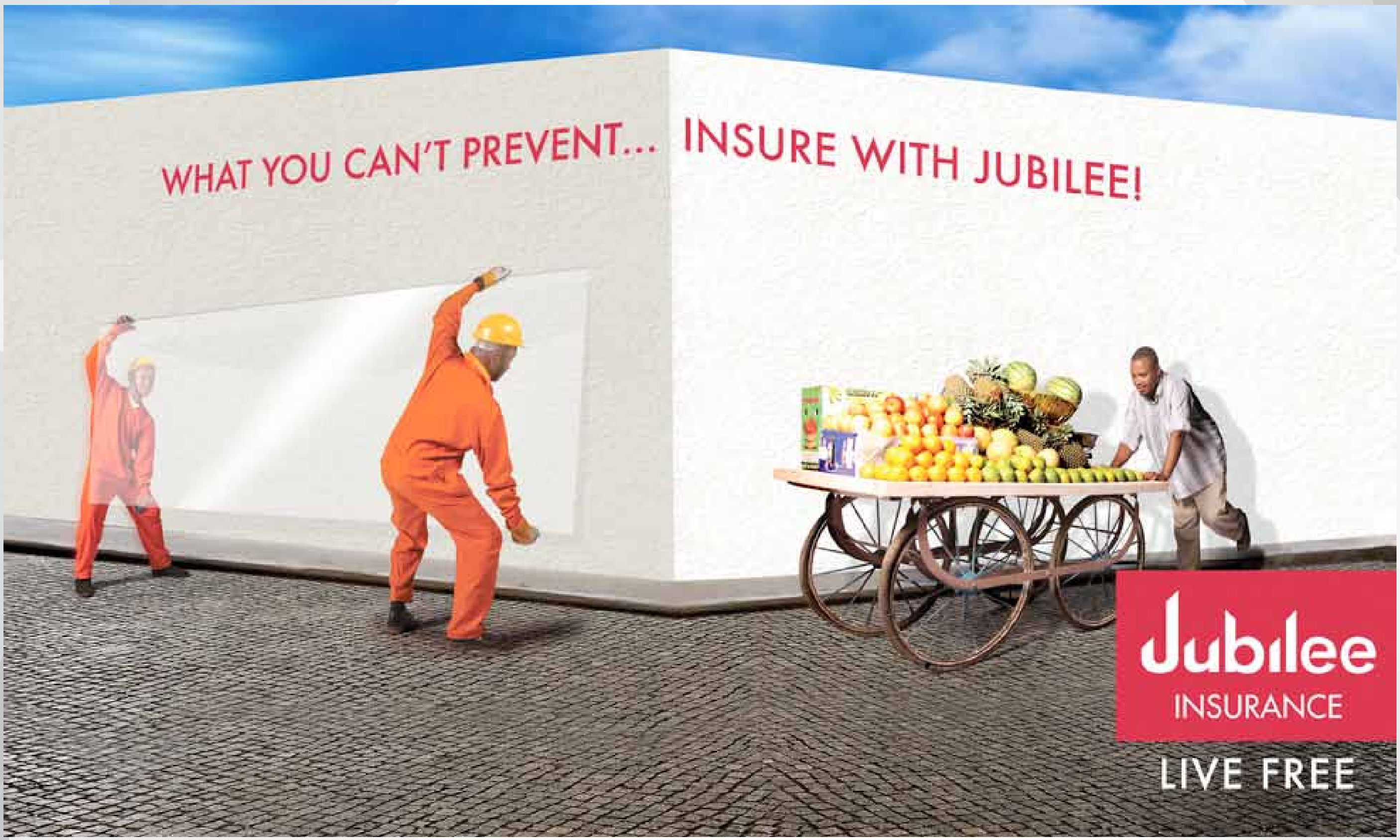

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75
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