

Jubilee

HOLDINGS



ANNUAL REPORT AND FINANCIAL STATEMENTS
2010



V I S I O N

Enabling people to overcome uncertainty

M I S S I O N

Provide solutions to protect our customers

V A L U E S

Integrity, Passion, Excellence, Teamwork

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Group Information

	2010	2009
Capital and reserves	Shs' 000	Shs' 000
Authorised Capital	247,500	225,000
Issued Capital	247,500	225,000
Paid-up Capital	247,500	225,000
Retained Earnings	4,431,484	3,142,327

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.jubileeholdings.com

Subsidiaries

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

Associates

PDM (Holdings) Limited (37.10%)
IPS Power Investment Limited (27.00%)
Bujagali Holding Power Company Limited (25.0%)
FCL Holdings Limited (30%)
IPS Cable Systems Limited (33.3%)

Auditor

PricewaterhouseCoopers - 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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 73RD ANNUAL GENERAL MEETING of the Shareholders will be held at the Nairobi Serena, Kenyatta Avenue, on Thursday 26th May, 2011 at 11:00 a.m. to transact the following business:

- To consider and, if thought fit, to adopt the Consolidated Accounts for the year ended 31st December, 2010, the Report of the Directors and the Report of the Auditor thereon.
- To confirm the payment of the interim dividend of 20% made on 8th October, 2010 and approve the payment of a final dividend of 90% on the issued and paid-up capital of the Company on or about 8th July, 2011 to the Shareholders registered as at 26th May, 2011.
- To elect the following Directors who retire by rotation and, being eligible, offer themselves for re-election:
 - Mr. Nizar Juma
 - Mr. Sultan Khimji
- To approve the Directors' remuneration.
- To consider the following Resolution, Special Notice having been received under sections 142 and 160 (1) of the Companies Act (Cap. 486 of the Laws of Kenya):

"RESOLVED that KPMG East Africa Limited be appointed Auditors of the Company in place of the retiring Auditors Messrs. PricewaterhouseCoopers, and hold office until the conclusion of the next Annual General Meeting, and to authorise the Directors to fix their remuneration."

Special Business:

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:

- Increase of Authorised Share Capital*

"RESOLVED that the authorised share capital of the Company be and is hereby increased from the current Kshs. 247,500,000 divided into 49,500,000 ordinary shares of par value Kshs. 5 per share to Kshs. 272,250,000 divided into 54,450,000 million ordinary shares of par value Kshs. 5 per share ranking *pari passu* in all respects with the existing ordinary shares in the capital of the Company"

- Bonus Issue*

"RESOLVED that, pursuant to Article 128 of the Articles of Association and subject to the passing of resolution 6 above and to approval from the Capital Markets Authority and the Nairobi Stock Exchange, the retained profits amounting to Kshs. 24,750,000 be capitalised and the Directors be and are hereby authorised and directed to utilise such sums to the holders of ordinary shares as at 26th May, 2011 and to apply such sum on behalf of such holders in paying up in full at par value 4,950,000 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 May, 26th 2011 upon the terms that such new shares when issued shall not rank for dividend in respect of the year ended 31st December, 2010 but shall rank, in all other respects, *pari passu* with the existing ordinary shares of the Company and the Directors be and are hereby authorised 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"

- Special Notice has been received by the Company pursuant to section 142 of the Companies Act (Cap. 486 of the Laws of Kenya) that the following Resolution be proposed in accordance with section 186 (5) of the Act for consideration by the Shareholders:

"RESOLVED that Mr. Tom D Owuor who being over the age of seventy years and, having previously received the approval of the Shareholders to continue in office on attaining the age of 70 years, be and is hereby re-elected as a Director until he comes up for retirement by rotation under the Company's Memorandum and Articles of Association".

By order of the Board

J L Oyuyo Githinji

Company Secretary

Nairobi

1st April, 2011

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.jubileeafrica.com and was circulated by post.

Board of Directors

■ Audit and Compliance Committee

■ Finance Committee

■ Nominating and Human Resource Committee

*Ugandan
***British

**Tanzanian
****Pakistani

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.

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.



Sultan K. Khimji - Chair, BACC

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 Eurafrikan Bank in Tanzania. He sits on the Company's Board Audit and Compliance Committee.

Nizar N. Juma - Chairman and Chair, BNHRC

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 the regional Chairman of the Industrial Promotion Services group of companies, and a Director of Diamond Trust Bank (DTB).

**Jackie Oyuyo Githinji
Company Secretary**

Mrs. Githinji was appointed Company Secretary in August 2010, and also serves on the Boards of its subsidiaries and Committees in this capacity. Prior to her appointment, she served as legal Officer in the Company Secretarial Department of Jubilee Insurance Kenya. She is an Advocate of the High Court of Kenya, a Certified Public Secretary and Member of the Chartered Institute of Arbitrators (Kenya Branch).

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.

Lutaf R. Kassam - Chair, BFC

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 (NESCC) in Kenya.

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.



Chairman's Statement



" We were recognised as the General Insurer of the Year, the Medical Underwriter of the Year, and received runner up awards in seven other categories including Claims Settlement, Marketing Initiatives, Customer Service, Training and Socially Responsible Corporate."

Dear Shareholders,

In the face of an increasingly competitive market, Jubilee insurance achieved outstanding results in 2010, with Gross premiums rising by 25% to KShs 11.5 Billion with strong contributions from all territories and business lines. The Jubilee Group also realised an unprecedented 84% increase in Pre-tax profit to KShs 2.1 Billion, supported by impressive operating results which included a 42% growth in underwriting profits. These positive developments meant that our 2010 results are the best we have ever presented in Jubilee's 74 year history.

These figures demonstrate that our strategy and business model, which is based on risk diversification, geographic spread and underwriting discipline have proved effective during the global financial crisis and allowed to pursue profitable growth. During 2010, the key priorities we focussed upon included a strong emphasis on customer focus and product innovation during a period when Jubilee has invested in deploying "best in class" technology and regional expansion into new markets.

Jubilee has now been the largest composite insurance company in Kenya and the leading short term insurer for three years running. We are also the overall market leader in Uganda and have significantly improved our position in the Tanzanian market to number 2 in 2010.

Jubilee Kenya was the most celebrated company at the 2010 Think Business Insurance Industry Awards where it scooped 9 awards, underlining its leadership in the Kenyan Insurance market. We were recognised as the General Insurer of the Year, the Medical Underwriter of the Year, and received runner up awards in seven other categories

including Claims Settlement, Marketing Initiatives, Customer Service, Training and Socially Responsible Corporate. Jubilee Kenya was also recognized by the Retirement Benefits Authority Awards for the Number 1 Individual Pension Plan. I am also glad to mention the runner up position in the Financial Reporting FiRe Award.

The regional insurance industry continues to face unique challenges including very low insurance penetration and persistent rate cutting across the industry. Despite these challenges, we consolidated our market leadership in each of our subsidiaries. We are particularly pleased with an impressive 42% increase in underwriting profits to KShs 523 million in 2010 from KShs 367 million in 2009, achieved as a result of enhanced focus on our core business activity, and first class risk management and selection practices.

In 2010, Jubilee took advantage of the global economic upswing and strong economic growth in the East African region to initiate a selective market expansion campaign. We launched subsidiaries in Burundi in September and Mauritius in November, as first steps in our plans to further expand our geographical presence across the Africa region.

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 our medical underwriting profits, a result of further improvements in case management protocols and claims service efficiency.

Chairman's Statement (continued)

National Economy

The global economy is on a recovery path nearly three years after the onset of economic crises, with the IMF projecting world economic growth in the region of 5%. The CBK estimates Kenyan GDP to have grown by 5% in 2010, which is an improvement over the 2009 growth of 2.5%.

Key drivers of the region's economic growth included improved performance by the agricultural and industrial sectors. Inflation decreased from 9.5% in 2009 to just under 5% in 2010, reflecting the continued implementation of a prudent monetary policy. 2010 saw a further fall in short term interest rates with the bench mark 91 day Treasury Bills falling to 2.3% at the end of 2010 from 6.82% at the end of 2009. The Kenya shilling also weakened by 6.5% against the US Dollar to close at shs 80.75 as at end of December 2010.

In the capital markets, the NSE 20 Share performance improved significantly by 36% to 4432 in December 2010 from 3247 in December 2009, thus placing the NSE among the top performing African stock markets. This resulted in a significantly positive impact on the company's investment income.

Financial Performance

Jubilee, East Africa's oldest and largest insurance group, reported a Group Profit Before Tax of Kshs 2.05 billion, an increase of 84% from Kshs 1.12 billion in 2009 and Gross Written Premiums increased by 25% to Kshs. 11.5 billion, (2009: 9.1 billion) which significantly out-stripped key peers across our markets. These results, underline the importance we have placed on sound risk management and underwriting discipline. This has allowed Jubilee to post a record underwriting profit of Kshs 523 million in 2010, a significant increase of 42% over 2009.

Based on Jubilee Group's performance in 2010, I am pleased to report that your Board has recommended a dividend of 110% for the year 2010 (2009: 90%), on the share capital of KShs 247.5 million. An interim dividend of 20% (KShs. 1.00 per share) was paid on 8th October 2010. The Board is seeking your approval for a final dividend of 90% (KShs 4.5 per share) bringing the total dividend for 2010 to Kshs 272.25 million (2009: KShs 202.5 million). In addition, the Board has for the second subsequent year, recommended a bonus share issue in the ratio of 1:10, subject to the requisite regulatory approvals. The bonus share, upon approval, shall mark the start of celebrations in a year in which Jubilee begins its 75th year of operations.

General Insurance Performance

Jubilee's general insurance gross written premium grew by 22% to reach KShs 5,288 billion (2009: KShs 4.350 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.

Medical Insurance Performance

The Group's medical business grew by 28% to reach KShs 2,567 billion (2009: KShs 1,998 billion). Jubilee consolidated and enlarged its medical insurance business market leadership in Kenya while expansion of the successful franchise into Uganda and Tanzania generated an 83 percent growth in Uganda and made significant strides to build a presence in the Tanzanian medical insurance market. Our retail medical product, J-Care, tailored to young families, was well received in the Kenyan the market and in 2011; we look forward to introducing it to the region.

Life Insurance Performance

The gross life insurance premium income demonstrated strong growth of 28% to KShs 3,639 billion from KShs 2,840 billion in 2009. This reflects the Group's strategy to accelerate its life insurance portfolio, due to the success of its customer focused education and asset building products which are built around the long term saving, education and protection needs of Jubilee's customers. Similarly introduction of this successful business line contributed a 63 percent growth in the life business in Tanzania.

Our 2010 declared and credited net rate of return of 12.75% (2009: 8.2%) by the Kenyan insurance subsidiary on the retirement benefit funds in the Guaranteed Fund will once again be one of the highest among the leading insurers in Kenya.

Group Operations

Jubilee further strengthened its regional senior management team during 2010 to establish the capability to consolidate its position as the leading insurance franchise in Eastern Africa and prepare for 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. 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. In the fourth quarter of 2010, the company opened a subsidiary in Burundi and restarted operations in Mauritius.

In 2010, Jubilee Kenya wrote KShs. 8.25 billion in premium and realised KShs.1.2 billion in profit before tax. To ensure continuity as a market leader in the region, the company expects to open 8 additional Agency offices in the Rift Valley, Western, Eastern and Central Provinces, while it intends to open 6 offices in Tanzania.

Increased market confidence in Jubilee's Balance Sheet strength and financial stability and its 74 year experience, resulted in a 28% 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 106% increase in the profit attributable to shareholders, with the earnings per share increasing to KShs 37 from KShs 18.33.

Chairman's Statement (continued)

Corporate Social Responsibility

Giving back to the communities that it operates in is a crucial part of Jubilee's operations, and so Jubilee continued to commit resources to key CSR projects that contribute to the wellbeing of local communities, through partnerships with like-minded corporate organizations, as well as implementing its trademark CSR projects. In 2010, Jubilee revived the Jubilee Insurance Samaritan Award (JISA) and the program is making quarterly awards recognizing ordinary members of society who perform extraordinary acts of kindness. 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 2010 are listed on page 16 of this Report. There were no changes to the composition of your Board of Directors in the year under review. The Board continues to reflect your Company's regional outlook, while drawing from the key experience and skills that continue to steer your Company to greater heights in achieving its strategic objectives.

Outlook

The business and regulatory environment will remain challenging in 2011 and accurate forecasts of market trends remain difficult. However, the increases in global fuel prices portend an erosion of the purchasing power of East African citizens.

Jubilee's diversified business model proved robust in 2010 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. 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.

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, 2011 Jubilee will commence its 75th Year and accordingly various initiatives have been planned which will benefit 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 2011 and generate sustainable and stable returns for our shareholders.

Appreciation

Jubilee's continued strong performance is a result of the support and the partnerships that we receive from our various stakeholders: our business partners, intermediaries and customers. I thank you for your continued loyal support, which has been instrumental in reinforcing Jubilee's position as the unbeatable market leader in East Africa.

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

Nizar N Juma
Chairman
1st April 2011

Report of the Directors

The Directors submit their report together with the audited consolidated financial statements for the year ended 31st December, 2010 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 (SA), transacts all classes of general and long term insurance business as defined by the Kenyan Insurance Act while Jubilee Insurance (Mauritius) Limited transacts all classes of general insurance 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, 2010:

	2010 Shs'000	2009 Shs'000
Profit analysis		
Group profit before income tax	2,053,287	1,115,776
Income tax expense	214,163	202,103
Group profit after income tax	1,839,124	913,673
Non controlling interest	83,363	88,691
Profit attributable to equityholders of the company	1,755,761	824,982

Dividend

An interim dividend of Shs 1.00 per share amounting to Shs 49.5 million (2009: 45 million) was paid on 8th October, 2010. The Directors recommend a final dividend of Shs. 4.50 per share amounting to Shs.225.75 million (2009: Shs. 157.5 million) for approval by Shareholders. The total dividend for the year represents 110% of the issued share capital as at 31st December, 2010 (2009: 90%).

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

In line with the principles of sound corporate governance on rotation of auditors, the Directors are recommending for approval by the shareholders that KPMG East Africa Limited be appointed Auditors of the Company in place of the retiring Auditors Messrs. PricewaterhouseCoopers, and hold office until the conclusion of the next Annual General Meeting in accordance with Section 160(1) of the Companies Act.

On behalf of the Board
Nizar N Juma, Chairman
Nairobi, 1st April, 2011

Statement of Directors Responsibilities

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

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of 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 of the Company and the Group and of its profit or loss in accordance with International Financial Reporting Standards. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

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

Nizar N. Juma
Chairman
1st April, 2011

Sultan K. Khimji
Director
1st April, 2011

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 others things:

- Agree on the Company's strategic objectives, as well as plans to achieve these
- Review and approve the Company's annual budget
- Review the Company's performance against agreed goals and strategies
- Review the Company's policies and procedures
- Consider and approve the annual and interim financial statements
- 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 pages 4 and 5. There were no resignations from or appointments to the Board in the course of the financial year ended December 2010.

The Directors' attendance of Board Meetings for the year 2010 was as follows*:

(Quorum = Four)

Name	March	August	November
Nizar Juma (Chairman)	✓	✓	✓
Sultan Allana	★	✓	★
Ramadhani Dau	★	✓	★
Lutf Kassam	✓	✓	✓
Sultan Khimji	✓	★	✓
Juma Kisaame	★	✓	✓
John Metcalf	✓	✓	✓
Tom Owuor	✓	✓	✓

Key ✓ Present ★ Apologies

Board Committees

Pursuant to the Company's Articles of Association, the Board of Directors has delegated authority to three Committees as listed on pages 4 and 5. These committees operate under clearly articulated terms of reference (summarised below) which clarify their responsibilities and scope of authority. The Committees have unrestricted access to Group information and are authorised by the Board to obtain independent professional advice in discharging 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, Shiraz Pira*.

Mandate:

This Committee serves as 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.

[*Shiraz Pira was a Director on the Board of The Jubilee Insurance Company of Tanzania Limited in the year under review and was co-opted onto the Board Audit and Compliance Committee to ensure regional representation in accordance with its Terms of Reference].

(b) Board Finance Committee:

Membership:

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

Mandate:

The Committee supervises the financial and investment business of the Company, and to provide 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. In line with its Terms of Reference, the Board Nominating and Remuneration Committee changed its name to the Board Nominating and Human Resource Committee in November 2010 to more accurately reflect its role in overseeing the Company's Human Resource Function. Further, the Committee introduced a board evaluation program in November 2010 as a means of gauging the effectiveness of the Board and its operations.

Corporate Governance Statement (Continued)

The Directors' attendance of Board Committee Meetings for the year 2010 was as follows:

(a) Board Audit and Compliance Committee:

(Quorum = Two)

Name	March	August	November
Sultan Khimji	✓	★	✓
Juma Kisaame	✓	★	★
John Metcalf	✓	✓	✓
Tom Owuor	✓	✓	✓
Shiraz Pira	★	★	★

(b) Board Finance Committee

(Quorum = Two)

Name	January	August	November
Lutf Kassam	✓	✓	✓
Ramadhani Dau	★	★	★
Sultan Khimji	✓	★	✓
John Metcalf	✓	✓	✓

(c) Board Nominating and Human Resource Committee

(Quorum = Two)

Name	March	August	November
Nizar Juma	✓	✓	✓
John Metcalf	✓	✓	✓
Tom Owuor	✓	✓	✓

Key ✓ Present ★ Apologies

Anti-Fraud Policy

In addition to the code of business ethics, the Company has updated its anti-fraud policy to bring it in line with current best practices and to better reflect the changing face of business in an increasingly automated world. This policy serves to reinforce the Company's zero tolerance on fraud and corruption by providing a framework for

reporting and investigating fraud and ensuring fast and appropriate response to alleged incidences of fraud. All incidences of fraud and the action taken are reported to the Board.

Directors' Fees

For services on the Board and its Committees, the Directors receive remuneration approved by shareholders at the Annual General Meeting. In 2010, the aggregate amount of emoluments received by the Directors is shown under note 34 on page 62 of the financial statements. No loans were advanced to the Directors during the year under review.

Directors' interest in the shares of the company as at 31st December, 2010

Directors Shareholding

Name	Number of shares held
Mr Sultan K Khimji (including shares held by his family and companies in which he has an interest)	9,061

Distribution of Shareholders as at 31 December

2010

Number of shares	Number of shareholders	Number of shares held
Less than 500 shares	1,364	250,515
500-5,000 shares	3,908	7,423,434
5,001 – 10,000 shares	523	3,927,735
10,001 – 100,000 shares	403	10,464,726
100,001 – 1,000,000 shares	18	5,501,231
Over 1,000,000 shares	2	21,932,359
Total	6,218	49,500,000

List of 10 Largest Shareholders as at 31 December 2010

Names	Number of shares held	% Shareholding
Aga Khan Fund for Economic Development	18,802,500	37.98%
Ameerali K. Somji &/or Gulzar Ameerali K. Somji	3,146,059	6.35%
United Housing Estates Limited	898,128	1.81%
Adam's Brown and Company Limited	884,389	1.78%
Freight Forwarders Kenya Limited	775,193	1.56%
Ameerali K. Abdulrasul Somji and Hanif Mohamed Somji	765,177	1.54%
Noorali Rashid Sayani and Gulshan Noorali Sayani	247,599	0.50%
Kenya General Agency (Mombasa) Limited	210,000	0.42%
Arun Mahendra Adalja and Mahendra Krishnalal Adalja	175,600	0.35%
Aleem Jinah and Hadi Janmohamed Jinah	163,300	0.32%
TOTALS	26,067,945	53%

Corporate Social Responsibility



The Girl Child

Immaculate Musenya (centre) with her best friend Margaret Wanjiru (left) and deskmate Weyyn Muganda (right) outside the Starehe Girls' Resource Centre. Immaculate, one of the best performing final year students at the centre, benefited from Jubilee's support of girl child education in the country. The initiative was made in partnership with the Canadian High Commission, at their recent Golf Tournament at the Windsor Golf and Country Club. Immaculate is a girl guide and a role model for many of the younger girls at the Centre, and she intends to pursue a career in dentistry after completing college. Promoting and furthering the education and training of children in Kenya is one of the mandates of the Jubilee Children Fund which was launched in 2007. Its other core mandate is alleviating hardships faced by underprivileged children in the areas of medical care. The Fund is supported by Jubilee employees who donate one day's salary per year towards its objectives. Jubilee matches the contribution and donates the profits from one day's operations each year.

Embracing the spirit of giving

The Jubilee team is a socially responsible group of people who regularly dedicate their time to improving the society and community in which they live. Every year, a group of staff and agents visit a children's home and spend the day playing with the children and looking after them. In 2010, the Jubilee Retail Medical Sales team visited the Abandoned Baby Centre (ABC) in Dagoretti, which is home to about 70 children ranging from infants to 4 year olds who are in dire need of medical attention. A donation of funds and supplies was also made on behalf of the company. Regular visits to children's homes are amongst other activities that Jubilee encourages its team to engage in because it is an opportunity for them to appreciate the needs of the community they live in, and build a strong united team that is able to tackle tasks together.



Jubilee Insurance Samaritan Award (JISA)

Jubilee Kenya CEO Patrick Tumbo thanks outgoing JISA Panellist Zipporah Musau, Managing Editor (Magazines) at the Standard Group. The new JISA panel includes Ezekiel Mutua – Director of Communication, Catherine Gicheru – Managing Editor at The Star Newspapers, Jeff Koinange – Chief Reporter at K24, and Macharia Gaiho – Managing Editor (Special Projects) at Nation Media Group.

The Jubilee Insurance Samaritan Award recognises extraordinary acts performed by ordinary Kenyans. Established in 2006, it encourages Kenyans to be mindful of the welfare of less fortunate members of the society. JISA is executed through partnership with key media practitioners in Kenya, who from the nature of their work encounter hardworking and philanthropic members of the society. These media practitioners are panelists and judges for the award. Past JISA winners include Daniel Kanee who rescued a three-year old child under a public service vehicle; 12 year old Hannah Wanjiru for her spirit of honesty; Tegla Lorupe for promoting peace in the Horn of Africa region through Peace Marathons; Charles Mulli for successfully rehabilitating over 1,000 children and young people; and Bob Munro for his role in promoting sports and community development.



School Improvement Industry Visits

Jubilee Insurance and the Liaison Group hosted a group of 61 Form 4 students and 3 teachers from Sacho High School to an educational tour in October 2010. The visit was an exciting one for the students who listened to enthusiastic representatives from Jubilee's various business lines discuss the operations of the insurance industry and offer guidance on career selection. Industry visits from schools and universities are encouraged by Jubilee because they offer students early exposure to the business world and encourages them to develop their career path. Other educational institutions that Jubilee interacted with in 2010 include Kenyatta University, Graffins College and St Christopher's High School.

Community involvement initiatives

David Ogega, Head of Pensions Business (right) and Azim Dawood, CEO Jubilee Mauritius (third right), join members of the public in donating blood during a Blood Drive Campaign organized by the Nation Media Group as part of its Community Action Week. Jubilee managers participated in the event as part of the company's community involvement commitment.

Jubilee Tanzania also dedicated their time to community involvement projects in 2010. In September, they partnered with the Tanzania Touch Forum and the Tanzania Police to educate owners of 2-wheelers on road safety and insurance. The training and awareness building event titled 'Mafunzo ya uendeshaji salama wa pikipiki barabarani' received excellent turnout from Dar es Salaam motorcycle owners.



Standard Chartered Marathon

The 15,000 marathon runners from over 20 countries who participated in the 2010 StanChart marathon were covered by Jubilee Insurance. In a Shs 70 million package, all runners, officials and volunteers were covered, along with the various equipments used in the marathon. Jubilee was a silver sponsor of the marathon for the 4th year running, and a team of 20 staff participated in what is the largest athletic event in Kenya. A charity fund raising event, over 750 children had their sight restored from the 2009 proceeds. The proceeds from this year's marathon, dubbed 'Run for Sight', go to 'Seeing is Believing', an initiative to eradicate avoidable blindness in children under the age of 9 years. Jubilee regularly partners with like minded corporates for worthy social causes. The company has also consistently partnered with the Mater Hospital for the Mater Heart Run, an annual event organised to help children with cardiac problems.

Report of the Independent Auditor to the Members of Jubilee Holdings Limited

We have audited the accompanying consolidated financial statements of Jubilee Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), as set out on pages 11-65. These financial statements comprise the consolidated statement of financial position as at 31 December, 2010 and the consolidated income statement, statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, together with the statement of financial position of the Company standing alone as at 31 December, 2010 and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Kenyan Companies Act and for such internal controls as the directors determine necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company'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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the Group and of the Company at 31 December 2010 and of the profit and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

Report on other legal requirements

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

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

Certified Public Accountants
21st April, 2011
Nairobi

Consolidated Income Statement

	Note	2010 Kshs '000	2009 Kshs '000
Gross earned premium revenue	6	8,492,698	7,069,039
Less: outward reinsurance	6	3,132,562	2,118,905
Net insurance premium revenue		5,360,136	4,950,134
Investment and other income	7	2,149,292	1,322,389
Net fair value gains on financial assets at fair-value-through profit & loss	18 & 19	1,633,103	322,961
Commission earned		627,494	454,328
Total income		9,770,025	7,049,812
Claims and policy holders benefits payable	8	7,516,421	4,838,974
Claims recoverable from re-insurers	8	1,897,705	848,806
Net insurance benefits and claims		5,618,716	3,990,168
Operating and other expenses	9	1,315,054	1,195,505
Commission payable		1,143,538	943,517
Total expenses and commissions		2,458,592	2,139,022
Result of operating activities		1,692,717	920,622
Finance costs		(60,409)	(46,372)
Share of result of associates	17 (i)	420,979	241,526
Group profit before income tax		2,053,287	1,115,776
Income tax expense	11	214,163	202,103
Profit for the year		1,839,124	913,673
Attributable to:			
Equityholders of the Company		1,755,761	824,982
Non-controlling Interest		83,363	88,691
Total		1,839,124	913,673
Earnings Per Share (2009 restated)			
Basic and diluted	27	37	17

The notes on pages 18 to 64 are an integral part of these consolidated financial statements

Consolidated Statement of Comprehensive Income

	Note	2010 Kshs '000	2009 Kshs '000
Profit for the year		1,839,124	913,673
Other comprehensive income			
Change in fair value of financial assets at fair value through other comprehensive income	18 & 19	220,958	(108,831)
Net translation loss	13 (c)	(69,822)	(24,080)
Total other comprehensive income for the year		151,136	(132,911)
Total comprehensive income for the year		1,990,260	780,762
Attributable to:			
Equityholders of the Company		1,932,948	708,869
Non-controlling interest		57,312	71,893
Total comprehensive income for the year		1,990,260	780,761

The notes on pages 18 to 64 are an integral part of these consolidated financial statements

Consolidated Statement of Financial Position as at 31st December 2010

	Note	2010 Kshs '000	2009 Kshs '000
CAPITAL AND RESERVES			
Share capital	12	247,500	225,000
Fair value reserves	13 (a)	(257,656)	(461,168)
General reserves	13 (b)	70,000	70,000
Translation reserves	13 (c)	(14,942)	22,957
Contingency reserves	13 (d)	414,404	232,225
Retained earnings		4,431,484	3,142,327
Proposed dividends	14	222,750	157,500
Sub total		5,113,541	3,388,841
Non-controlling interest		463,823	405,257
Total equity		5,577,364	3,794,098
ASSETS			
Property and equipment	15	61,168	50,277
Investment properties	16	2,882,945	2,573,933
Investment in associates	17 (i)	4,126,174	3,710,320
- Quoted shares at fair value through profit & loss	18	5,075,100	3,195,710
- Quoted shares at fair value through other comprehensive income	18	597,916	844,585
- Unquoted shares through other comprehensive income	19	1,052,957	1,051,593
Mortgage loans	20 (i)	40,161	51,236
Loans on life insurance policies	20 (ii)	213,994	196,324
Government securities at amortised cost	21	6,344,018	4,232,441
Deposits with financial institutions		3,337,658	3,247,958
Commercial bonds		1,111,380	305,243
Receivables arising out of direct insurance arrangements		1,204,673	1,033,698
Receivables arising out of reinsurance arrangements		888,757	683,526
Reinsurers' share of insurance contract liabilities	22	2,577,902	1,687,819
Deferred acquisition costs	23	112,143	123,525
Other receivables	24	429,022	452,009
Deferred income tax	25	12,619	2,801
Cash and bank balances	26	622,795	236,816
Total assets		31,651,961	24,873,660
LIABILITIES			
Insurance contract liabilities	28	7,763,925	6,589,305
Payable under deposit administration contracts	29	10,400,858	7,644,098
Unearned premium reserve	30	3,510,177	2,512,986
Creditors arising out of direct insurance arrangements		402,187	204,924
Creditors arising out of reinsurance arrangements		652,998	890,216
Trade and other payables	31	819,359	636,114
Deferred income tax	25	97,204	187,556
Current income tax payable		22,734	60,993
Dividends payable		115,396	109,995
Bank overdraft	32	121,581	64,394
Borrowings	32	1,207,598	985,135
Total liabilities		26,074,597	21,079,562
Net assets		5,577,364	3,794,098

The financial statements on pages 12 to 52 were approved by the Board of Directors on 1st April, 2011 and signed on its behalf by:

Nizar N Juma
Chairman

Sultan Khimji
Director

The notes on pages 18 to 52 are an integral part of these consolidated financial statements

Company Statement of Financial Position as at 31st December 2010

	Note	2010 Kshs '000	2009 Kshs '000
CAPITAL AND RESERVES			
Share capital	12	247,500	225,000
Fair value reserves		(6,077)	2,028
General reserves	13 (b)	70,000	70,000
Retained earnings		1,673,245	1,569,976
Proposed dividends	14	222,750	157,500
Total equity		2,207,418	2,024,504
ASSETS			
Investment properties	16	-	760,000
Investment in associates	17 (i)	1,076,153	919,124
Investment in subsidiaries	17 (ii)	1,762,527	721,380
Quoted shares at fair value through other comprehensive income	18	16,329	402,568
Unquoted shares at fair value through other comprehensive income	19	6,081	6,081
Deposits with financial institutions		45,050	5,805
Other receivables	24	9	9
Current income tax		11,676	20,308
Cash and bank balances	26	5,208	17,449
Total assets		2,923,033	2,852,724
LIABILITIES			
Deferred income tax	25	12,237	122,683
Trade and other payables	31	4,878	5,388
Due to related parties	34	583,104	596,532
Dividends payable		115,396	103,610
Bank overdraft	32	-	7
Total liabilities		715,615	828,220
Net assets		2,207,418	2,024,504

The financial statements on pages 11 to 64 were approved by the Board of Directors on 1st April, 2011 and signed on its behalf by:

Nizar N Juma
Chairman

Sultan Khimji
Director

The notes on pages 18 to 64 are an integral part of these consolidated financial statements

Consolidated Statement of changes in Equity

	Share Capital	Fair Value Reserves	General Reserves	Translation Reserves	Contingency Reserves	Retained Earnings	Proposed Dividends	Total	Non-Controlling Interest
Year ended 31 December 2009									
At the start of the year	225,000	(531,507)	70,000	32,196	186,400	2,742,884	146,250	2,871,222	333,365
Profit for the year	-	-	-	-	-	824,980	-	824,980	88,691
Other comprehensive income									
Transfer to retained earnings on reclassification		177,212				(177,212)			
Change in fair value of financial assets through OCI		(106,873)						(106,873)	(1,958)
Net translation gain				(9,239)				(9,239)	(14,841)
Transfer to contingency reserves					45,825	(45,825)			
Total comprehensive income for the year		70,339		(9,239)	45,825	601,943		708,868	71,892
Dividends:									
Final for 2008 paid							(146,250)	(146,250)	
Interim for 2009 paid						(45,000)		(45,000)	
Final for 2009 proposed						(157,500)	157,500	(0)	
Total transactions with owners:						(202,500)	11,250	(191,250)	405,257
At end of year	225,000	(461,168)	70,000	22,957	232,225	3,142,327	157,500	3,388,841	405,257
Year ended 31 December 2010									
At the start of the year	225,000	(461,168)	70,000	22,957	232,225	3,142,327	157,500	3,388,841	405,257
Profit for the year						1,755,761		1,755,761	83,363
Other comprehensive income									
Transfer to retained earnings on reclassification		9,715				(9,715)			
Change in fair value of financial assets through OCI		213,838						213,838	7,120
Transfer to retained earnings on disposal		(20,041)				20,041			
Net translation loss				(37,899)				(37,899)	(31,917)
Transfer to contingency reserves					182,179	(182,179)			
Total comprehensive income for the year		203,512		(37,899)	182,179	1,583,907		1,931,700	58,566
Transactions with owners:									
Bonus shares issues	12	22,500				(22,500)			
Dividends:									
Final for 2009 paid	14						(157,500)	(157,500)	
Interim for 2010 paid	14					(49,500)		(49,500)	
Final for 2010 proposed	14					(222,750)	222,750		
Total transactions with owners:						(294,750)	65,250	(207,000)	-
At end of year		22,500	70,000	(14,942)	414,404	4,431,484	222,750	5,113,541	463,823

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 18 to 64 are an integral part of these consolidated financial statements

Company Statement of changes in Equity

	Share Capital	Fair Value Reserves	General Reserves	Retained Earnings	Proposed Dividends	Total
Year ended 31 December 2009						
At the start of the year	225,000	(15,855)	70,000	1,650,326	146,250	2,075,721
Profit for the year				122,150		122,150
Other comprehensive income						
Change in fair value of financial assets through other comprehensive income		17,883				17,883
Total comprehensive income for the year		17,883		122,150		140,033
Transactions with owners:						
Dividends:						
Final for 2008 paid					(146,250)	(146,250)
Interim for 2009 paid				(45,000)		(45,000)
Final for 2009 proposed				(157,500)	157,500	
Total transactions with owners:				(202,500)	11,250	(191,250)
At end of year	225,000	2,028	70,000	1,569,976	157,500	2,024,504
Year ended 31 December 2010						
As previously reported	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		2,422				2,422
Transfer to retained earnings on disposal		(10,527)		10,527		
Total comprehensive income for the year		(8,105)		398,019		389,914
Transactions with owners:						
Bonus shares issues	12	22,500		(22,500)		
Dividends:						
Final for 2009 paid	14				(157,500)	(157,500)
Interim for 2010 paid	14			(49,500)		(49,500)
Final for 2010 proposed	14			(222,750)	222,750	
Total transactions with owners:				(294,750)	65,250	(207,000)
At end of year	22,500	(6,077)	70,000	1,673,245	222,750	2,207,419

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 18 to 64 are an integral part of these consolidated financial statements

Consolidated Statement of Cashflows

	Note	2010 Kshs '000	2009 Kshs '000
Cash flow from operating activities			
Profit before income tax		2,053,287	1,115,776
Adjustments for: -			
Depreciation	15	26,414	20,429
Fair value gains on equity investments at fair value through profit and loss	18 & 19	(1,633,103)	(322,961)
Investment income	7	(2,149,292)	(1,322,389)
Share of result of associates after income tax	17 (i)	(420,979)	(241,526)
Operating profit before changes to receivables and payables		(2,123,673)	(750,671)
Net inflows from deposit administration contracts	29	2,756,760	1,676,581
Change in insurance contract liabilities and reserves		2,171,811	1,207,610
Increase in premium, reinsurance and other receivables		(993,489)	(648,876)
Decrease in reinsurance and other payables		(89,977)	62,969
Cash generated from operations		1,721,431	1,547,612
Income tax paid		(352,592)	(128,559)
Net cash inflow from operating activities		1,368,839	1,419,053
Cash flow from investing activities			
Rent, interest and dividend received		1,482,298	1,322,389
Dividends received from associates	17 (i)	62,112	35,149
Proceeds from sale of quoted shares		1,751,276	9,019
Proceeds from disposal of property and equipment		4,330	-
Purchase of property and equipment	15	(39,942)	(25,569)
Net Additions of investment properties	16	(72,868)	(102,152)
Purchase of quoted shares	18	(1,191,927)	(122,728)
Additional investment in associate	17 (i)	-	(969,938)
Net mortgage loans advanced	20 (i)	10,079	(8,835)
Net loans on life insurance policies advanced	20 (ii)	(17,366)	(5,855)
Net (increase)/decrease of government securities		(2,048,807)	(1,361,036)
Net (purchase)/proceeds of commercial bonds		(806,137)	(305,243)
Net outflow from investing activities		(866,952)	(1,534,800)
Cash flow from financing activities			
Proceeds from borrowings	32	161,504	(36,470)
Dividends paid		(207,000)	(191,250)
Net cash outflow from financing activities		(45,496)	(227,720)
Increase in cash and cash equivalents		456,391	(343,467)
Cash and cash equivalents at start of year	26	3,420,380	3,773,086
Exchange loss on translation of cash and cash equivalents in foreign currencies	13(c)	(37,899)	(9,239)
Cash and cash equivalents at end of year		3,838,872	3,420,380

The notes on pages 18 to 64 are an integral part of these consolidated financial statements

NOTES

1. GENERAL INFORMATION

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

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

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

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. 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.

(i) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant

Amendments to IFRS 2: Group cash-settled share-based payment transactions – effective 1 January 2010. The amendment clarifies the accounting for group cash-settled share-based payment transactions. The entity receiving the goods or services shall measure the share-based payment transaction as equity-settled only when the awards granted are its own equity instruments, or the entity has no obligation to settle the share-based payment transaction. The entity settling a share-based payment transaction when another entity in the group receives the goods or services recognises the transaction as equity-settled only if it is settled in its own equity instruments. In all other cases, the transaction is accounted for as cash-settled.

IFRS 3 Business Combinations – Revised – effective 1 July 2009. The new standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest. All transaction costs will be expensed.

IAS 27 Consolidated and Separate Financial Statements – Revised – effective 1 July 2009. IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement Eligible Hedged Items – effective 1 July 2009. The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges.

IFRIC 17 Distributions of Non-cash Assets to Owners – effective 1 July 2009. IFRIC 17 applies to the accounting for distributions of non-cash assets (commonly referred to as dividends in specie) to the owners of the entity. The interpretation clarifies that: a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; an entity should measure the dividend payable at the fair value of the net assets to be distributed; and an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.

IFRIC 18 Transfers of assets from customers - effective for periods beginning 1 July 2009. This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). This interpretation does not impact on the Group's financial statements.

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

IAS 24 (Revised) 'Related party disclosures' – effective 1 January 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. When the revised standard is applied, the company will need to disclose any transactions between itself and associates of its parent company. The Group is currently putting systems in place to capture the necessary information. It is, therefore, not possible at this stage to disclose the impact, if any, of the revised standard on the related party disclosures.

Classification of rights issues' (amendment to IAS 32) – effective 1 February 2010. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'. This amendment is not expected to have any impact on the Group's financial statements.

IFRIC 19, 'Extinguishing financial liabilities with equity instruments' - effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. It is not expected to have any impact on the Group's financial statements.

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

IFRIC 14 The limit on a defined benefit assets, minimum funding requirements and their interaction amendments – effective 1 January 2011. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments should be applied retrospectively to the earliest comparative period presented. It is not expected to have a material impact on the Group's financial statements.

The directors have assessed the impact of the above standards interpretation and concluded that they will not have a significant impact on the Group's financial statements.

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 recognises 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 recognised directly in profit or loss.

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

b) Investment in Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investments in associates include goodwill identified on acquisition net of all accumulated impaired losses.

The Group's share of its associates' post-acquisition profits or losses is recognised in the profit 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 recognised in the income statement.

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in income statement as part of the fair value gain or loss. Translation differences on 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' equity. When a foreign operation is sold, such exchange differences are recognised 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.

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 SEGMENT INFORMATION (CONTINUED)

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 JHL Board of Directors. The group results are analysed 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.

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 becoming incapacitated in consequence of disease or of disease of a specified class.

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

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

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

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

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 INSURANCE CONTRACT (CONTINUED)

b) Recognition and measurement

(i) Premium income

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

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

(ii) Claims 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 recognised when the claim becomes due for payment. Death claims are accounted for on notification. Surrenders are accounted for on payment.

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

Where insurance contracts have a single premium or a limited number of premium payments due over a significantly shorter period than the period during which benefits are provided, the excess of the premiums payable over the valuation premiums is deferred and recognised as income in line with the decrease of unexpired insurance risk of the contracts in-force or, for annuities in force, in line with the decrease of the amount of future benefits expected to be paid. The liabilities are recalculated at each 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 balance sheet date, but not settled at that date. Outstanding claims are computed on the basis of the best information available at the time the records for the year are closed, and include provisions for claims incurred but not reported ("IBNR"). Outstanding claims are not discounted.

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

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

(iv) Liability adequacy test

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

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

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

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

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

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

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

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 INVESTMENT CONTRACTS

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

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

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

The Group re-estimates at each reporting date the expected future cash flows and recalculates the carrying amount of the financial liability by computing the present value of estimated future cash flows using the financial liability's original effective interest rate. Any adjustment is immediately recognised as income or expense in the 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 recognised 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 recognised when the right to receive payment is established – this is the ex-dividend date for equity securities.

(v) Rental income from investment properties

Rental income is recognised in the period it is earned.

(vi) Commission earned

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

2.7 PROPERTY AND EQUIPMENT

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

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

Depreciation on other assets is calculated using the straight line method to write down their cost 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 and are not occupied by the Group are classified as investment property. Investment property is carried at fair value, representing open market value determined annually by external valuers. Changes in fair values are included in investment income in 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. There was no goodwill balance at the end of 2010 and 2009.

(ii) Computer software

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

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 FINANCIAL ASSETS

All financial assets are recognised and derecognised 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 recognised financial assets are subsequently measured in their entirety at either amortised 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 amortised cost and the effective interest method

Debt instruments are measured at amortised 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 amortised cost using the effective interest method less any impairment, with interest revenue recognised on an effective yield basis in investment revenue.

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

The effective interest method is a method of calculating the amortised 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 amortised cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortised 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 recognised 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 recognised 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 recognised 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 amortised 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 amortised cost if the objective of the business model changes so that the amortised cost criteria starts to be met and the instrument's contractual cash flows meet the amortised 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 derecognises 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 recognises 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 recognise the financial asset.

(vi) Financial liabilities

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

(vii) Financial liabilities at FVTPL

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

(viii) Other financial liabilities

Other financial liabilities which includes creditors arising out of reinsurance arrangements and direct insurance arrangement and other payable, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised 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.

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 FINANCIAL ASSETS (CONTINUED)

(ix) De-recognition

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

(x) Impairment financial assets

a) Financial assets carried at amortised 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 amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the 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 recognised directly through the income statement.

b) Impairment of financial assets carried at fair value

The Group assesses at reporting date whether there is objective evidence that a financial asset at fair value through other comprehensive income financial asset is impaired. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in the income statement. Impairment losses recognised directly through other comprehensive income and transferred to retained earnings on disposal of the financial asset.

(c) Impairment of other non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not

be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

d) Offsetting financial instruments

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

e) 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 recognised assets or liabilities or of a firm commitment (fair value hedge); (ii) hedges of highly probable forecast transactions (cash flow hedges); or (iii) hedges of net investments in foreign operations (net investment hedge). As at the end of the year the Group had only designated a hedge of net investment in a foreign operation (see note 34).

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 34.

Net investment hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as a net investment hedge is recognised in equity. The gain or loss relating to any ineffective portion is recognised immediately in the 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 capitalised at the inception of the lease at the lower of their fair value and the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in non-current liabilities. The interest element of the finance charge is charged to the 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.

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 CASH AND CASH EQUIVALENTS

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

2.14 EMPLOYEE BENEFITS

(i) Retirement benefit obligations

The Group operates 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.

(ii) Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised 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 balance sheet date and are expected to apply when the related deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 BORROWINGS

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

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

2.17 DIVIDENDS

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

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 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 recognised 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 amortised cost.

In accordance with IAS 39 – Financial Instruments, an impairment loss is recognised 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 judgement in the estimation of incurred but not yet reported claims (IBNR) whereby the Group uses historical experience to estimate the ultimate cost of claims and the IBNR provision. This involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to claims data for each accident year that is not fully developed to produce an estimated ultimate claims cost for each accident year. Note 28 contains further details on the estimation of insurance liabilities.

NOTES (continued)

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

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.

a) 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.

b) Valuation of investment property

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

c) Valuation of unquoted shares

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

d) 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 judgement 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:

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 324 million while significant enough deterioration in estimates is immediately recognised 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.

NOTES (continued)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Year ended 31st December, 2010		Maximum insured loss				Total
		Shs 0 m - Shs 15m	Shs 15m - Shs 250m	Shs 250m - Shs 1000m	Shs 1000m +	
General Insurance business		Shs'000	Shs'000	Shs'000	Shs'000	Shs'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

Year ended 31st December, 2009		Maximum insured loss				Total
		Shs 0 m - Shs 15m	Shs 15m - Shs 250m	Shs 250m - Shs 1000m	Shs 1000m +	
General Insurance business		Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Motor	Gross	21,380,861	7,615,960	-	-	28,996,821
	Net	18,696,319	6,644,583	-	-	25,340,902
Fire	Gross	16,695,188	95,765,708	102,918,090	126,960,990	342,339,976
	Net	11,845,028	42,225,107	8,034,010	4,030,119	66,134,264
Personal accident	Gross	34,434,982	41,590,077	9,421,916	7,149,593	92,596,568
	Net	2,230,316	40,789,447	9,118,174	7,149,593	59,287,530
Other	Gross	35,280,550	80,325,606	60,345,002	126,387,980	302,339,138
	Net	22,034,072	38,090,363	12,053,549	9,490,926	81,668,910
Life assurance business						
Ordinary life	Gross	7,350,773	322,400	-	-	7,673,173
	Net	6,181,512	3,000	-	-	6,184,512
Group life	Gross	49,278,420	1,800,172	-	-	51,078,592
	Net	17,148,450	62,778	-	-	17,211,228
Other	Gross	-	-	-	-	-
	Net	-	-	-	-	-
Total	Gross	164,420,774	227,419,923	172,685,008	260,498,563	825,024,268
	Net	78,135,697	127,815,278	29,205,733	20,670,638	255,827,346

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.

NOTES (continued)

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.

Market risk

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, recognised assets and liabilities and net investments in foreign operations.

The Group manages foreign exchange risk arising from future commercial transactions and recognised 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	Kenya US Dollar	Uganda Shillings	Tanzania Shillings	Mauritius Rupees	Burundi Francs	Total
As at 31st December, 2010:	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'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

As at 31st December, 2009:	Kenya US Dollar	Uganda Shillings	Tanzania Shillings	Mauritius Rupees	Burundi Francs	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
ASSETS						
Receivables arising out of reinsurance arrangements	-	178,774	70,818	-	-	249,592
Deferred acquisition costs	-	(51,176)	-	-	-	(51,176)
Deposit with financial institutions	188,364	313,167	391,273	20,873	-	913,677
Cash and bank balances	-	54,860	78,832	2,749	-	136,441
Total assets	188,364	495,625	540,923	23,622	-	1,248,534
LIABILITIES						
Provision for unearned premium	-	502,020	531,840	-	-	1,033,860
Insurance contract liabilities	-	391,282	670,398	9,156	-	1,070,836
Creditors arising out of reinsurance arrangements	-	357,166	99,662	-	-	456,828
Total liabilities	-	1,250,468	1,301,900	9,156	-	2,561,524
Net Balance sheet position	188,364	(754,843)	(760,977)	14,466	-	(1,312,990)

At 31st December, 2010, 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 (2009: negligible), mainly as a result of US dollar receivables and bank balances.

NOTES (continued)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

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 Stock Exchange (NSE), the Uganda Securities Exchange (USE) and Dar es Salaam Stock Exchange (DSE).

Group

At 31st December, 2010, if the NSE and USE indices had increased/decreased by 8% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation to the index, the post-tax profit would have been Shs 32.2m lower/higher and equity would have been Shs 441m higher/lower.

Company

At 31st December, 2010, 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.

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 Shs 81 million (2009 Shs 63 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 amortised cost and their carrying amounts are not sensitive to changes in the level of interest rates.

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 finalisation 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.

The amount that best represents the Group's and Company's maximum exposure to credit risk at 31st December, 2010 is made up as follows:

Maximum exposure to credit risk before collateral held	Group		Company	
	2010	2009	2010	2009
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Receivables arising out of reinsurance arrangements	889,477	683,526	-	-
Receivables arising out of direct insurance arrangements	835,299	1,033,698	-	-
Reinsurers' share of insurance liabilities	2,633,592	1,687,819	-	-
Government securities at amortised cost	6,344,018	4,232,441	-	-
Commercial bond	1,111,380	305,243	-	-
Cash and bank balances	575,252	236,816	5,208	17,442
Loans on life insurance policies	213,994	196,324	-	-
Mortgage loans	40,161	51,236	-	-
Deposits with financial institutions	3,312,606	3,247,958	45,050	5,804
Other receivables	387,772	452,016	9	9
Totals	16,343,551	12,127,077	50,267	23,255

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

NOTES (continued)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

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

Group	2010	2009
	Kshs '000	Kshs '000
Direct Insurance		
Neither past due nor impaired	634,089	454,738
Past due but not impaired	616,356	549,424
Impaired	168,866	222,928
Gross	1,419,311	1,227,090
Less: allowance for impairment	(214,638)	(193,392)
Net	1,204,673	1,033,698
Re-insurance		
Neither past due nor impaired	95,719	70,817
Past due but not impaired	662,992	317,700
Impaired	140,671	303,012
Gross	899,382	691,529
Less: allowance for impairment	(10,625)	(8,003)
Net	888,757	683,526

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

Group	2010	2009
	Kshs '000	Kshs '000
Past due but not impaired:		
- by up to 30 days	320,167	148,924
- by 31 to 60 days	78,377	101,710
- by 61 to 150 days	144,885	139,276
- by 151 to 360 days	72,927	159,514
Total past due but not impaired	616,356	549,424

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	2010	2009
	Kshs '000	Kshs '000
Individually assessed impaired receivables		
- brokers	91,706	118,274
- agents	21,317	52,686
- insurance companies	25,727	39,918
- direct clients	30,116	12,051
Total	168,866	222,929

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.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet 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 maximise 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.

NOTES (continued)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

	Level 1 balance Kshs'000	Level 2 balance Kshs'000	Level 3 balance Kshs'000
Financial assets:			
at fair value through OCI - quoted shares	597,916	-	-
at fair value through profit or loss - unquoted shares	-	-	1,052,957
at fair value through profit or loss - quoted shares	5,075,100	-	-
Total assets	5,673,016	-	1,052,957

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 2010. Trading at fair value through profit or loss

	Unquoted shares at fair value through profit or loss Kshs'000
Opening balance	1,051,593
Gains and losses recognised in other comprehensive income	1,117
Gains and losses recognised in profit or loss	3,626
Exchange variation	(3,379)
Closing balance (Note 19)	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)	3,626

Capital risk management

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

- Comply with the capital requirements as set out in the Insurance Act;
- 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.

	2010				2009			
	Kenya Shs '000	Uganda Shs '000	Tanzania Shs '000	Total Shs '000	Kenya Shs '000	Uganda Shs '000	Tanzania Shs '000	Total Shs '000
Regulatory capital held	700,000	92,132	127,690	919,822	700,000	92,132	127,690	919,822
Minimum regulatory capital	450,000	75,169	55,042	580,211	450,000	75,169	55,042	580,211

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.

NOTES (continued)

5. SEGMENT INFORMATION

OPERATING SEGMENTS

5 (a)	Operating Segment results for the year ended 31 December 2010	Kshs '000			
		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
		Kshs '000			
	for the year ended 31 December 2009	General	Ordinary, Group Life & Pensions	Investments	Total
	Gross earned premium revenue	5,913,980	1,155,059	-	7,069,039
	Less: outward reinsurance	1,931,835	187,070	-	2,118,905
	Net insurance premium revenue	3,982,145	967,989	-	4,950,134
	Investment and other income	379,262	795,572	147,555	1,322,389
	Commission earned	452,806	1,522	-	454,328
	Net fair value gains on financial assets at fair-value-through profit & loss	212,560	110,401	-	322,961
	Total income	5,026,773	1,875,484	147,555	7,049,812
	Claims and policy holders benefits payable	3,257,604	1,581,370	-	4,838,974
	Claims recoverable from re-insurers	714,527	134,279	-	848,806
	Net insurance benefits and claims	2,543,077	1,447,091	-	3,990,168
	Operating and other expenses	760,805	312,968	121,732	1,195,505
	Commission payable	773,703	169,814	-	943,517
	Total expenses and commissions	1,534,508	482,782	121,732	2,139,022
	Result of operating activities	949,188	(54,389)	25,823	920,622
	Finance costs	-	-	(46,372)	(46,372)
	Share of result of associates	61,826	61,899	117,801	241,526
	Group profit before income tax	1,011,014	7,510	97,252	1,115,776
	Income tax expense	189,169	7,508	5,426	202,103
	Profit for the year	821,845	2	91,826	913,673

NOTES (continued)

5. SEGMENT INFORMATION (CONTINUED) OPERATING SEGEMENTS (CONTINUED)

5 (b) Segment assets and liabilities as at 31 December 2010	Kshs '000			
	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	704,943	312,207	372,451	1,389,601
Deferred income tax	12,101	511	7	12,619
Cash and bank balances	238,390	340,297	44,108	622,795
Total assets	11,420,144	16,253,559	3,978,258	31,651,961
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	138,408	-	652,998
Trade and other payables	635,970	239,219	1,020,146	1,895,335
Deferred income tax	65,541	-	31,663	97,204
Current income tax payable	14,410	8,324	-	22,734
Borrowings	-	-	1,207,598	1,207,598
Bank over draft	84,811	36,770	-	121,581
Total liabilities	8,755,336	15,059,854	2,259,407	26,074,597
Net assets	2,664,808	1,193,705	1,718,851	5,577,364

Segment assets and liabilities as at 31 December 2009	Kshs '000			
	General	Ordinary, Group Life & Pensions	Investments	Total
Property and equipment	28,168	13,911	8,198	50,277
Investment properties	382,544	1,425,000	766,389	2,573,933
Investment in associates	777,849	595,267	2,337,204	3,710,320
Investment in shares	1,106,879	3,497,621	487,388	5,091,888
Mortgage loans	-	51,236	-	51,236
Loans on life insurance policies	-	196,324	-	196,324
Government securities at amortised cost	1,079,112	3,153,329	-	4,232,441
Deposits with financial institutions	764,496	2,463,307	20,155	3,247,958
Commercial bonds	-	305,243	-	305,243
Premium receivables	1,553,377	287,372	-	1,840,749
Reinsurers' share of insurance contract liabilities	1,629,939	57,880	-	1,687,819
Other receivables	387,615	53,131	11,263	452,009
Current income tax	-	-	56,558	56,558
Deferred income tax	2,801	-	-	2,801
Cash and bank balances	107,022	90,247	39,547	236,816
Total assets	7,819,802	12,189,868	3,726,702	23,736,371
Insurance contract liabilities	5,065,726	4,036,565	-	9,102,291
Payable under deposit administration contracts	-	7,644,097	-	7,644,097
Creditors arising out of direct insurance arrangements	204,924	-	-	204,924
Creditors arising out of reinsurance arrangements	667,383	222,833	-	890,216
Trade and other payables	199,111	37,875	509,123	746,109
Deferred income tax	62,860	-	124,696	187,556
Current income tax payable	62,420	-	55,131	117,551
Borrowings	-	-	985,135	985,135
Bank over draft	50,575	13,812	7	64,394
Total liabilities	6,312,999	11,955,182	1,674,092	19,942,273
Net assets	1,506,803	234,685	2,052,610	3,794,098

NOTES (continued)

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.

5 (a) Geographical Segment results for the year ended 31 December 2010	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
	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

for the year ended 31 December 2009	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
	Kenya	Uganda	Tanzania	Mauritius	Burundi	Total
Gross earned premium revenue	4,490,680	1,422,162	1,156,197	-	-	7,069,039
Less: outward reinsurance	457,935	1,014,813	646,157	-	-	2,118,905
Net insurance premium revenue	4,032,745	407,349	510,040	-	-	4,950,134
Investment and other income	1,074,966	195,518	52,618	(713)	-	1,322,389
Commission earned	96,587	208,358	149,383	-	-	454,328
Net fair value gains on financial assets at fair-value-through profit & loss	322,961	-	-	-	-	322,961
Total income	5,527,259	811,225	712,041	(713)	-	7,049,812
Claims and policy holders benefits payable	3,807,174	418,375	602,470	10,954	-	4,838,973
Claims recoverable from re-insurers	315,758	208,859	311,996	12,192	-	848,805
Net insurance benefits and claims	3,491,416	209,516	290,474	(1,238)	-	3,990,168
Operating and other expenses	818,434	226,518	145,783	4,770	-	1,195,505
Commission payable	638,290	136,550	168,677	-	-	943,517
Total expenses and commissions	1,456,724	363,068	314,460	4,770	-	2,139,022
Result of operating activities	579,119	238,641	107,107	(4,245)	-	920,622
Finance costs	-	(46,372)	-	-	-	(46,372)
Share of result of associates	199,712	-	-	41,814	-	241,526
Group profit before income tax	778,831	192,269	107,107	37,569	-	1,115,776
Income tax expense	108,578	62,244	31,281	-	-	202,103
Profit for the year	670,253	130,025	75,826	37,569	-	913,673

NOTES (continued)

5. SEGMENT INFORMATION (CONTINUED)

GEOGRAPHICAL SEGMENTS (CONTINUED)

5 (b) Segment assets and liabilities as at 31 December 2010	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	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	1,181,658	119,295	-	29,057	59,591	1,389,601
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	24,198,024	4,796,113	1,875,474	611,975	170,375	31,651,961
Insurance contract liabilities	6,697,844	594,519	446,856	24,706	-	7,763,925
Provision for unearned premium	2,677,010	34,991	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	593,344	9,350	36,666	-	13,638	652,998
Trade and other payables	1,188,686	363,990	147,767	54,875	140,017	1,895,335
Deferred income tax	41,477	39,782	15,945	-	-	97,204
Current income tax payable	9,795	3,646	9,293	-	-	22,734
Borrowings	-	1,207,598	-	-	-	1,207,598
Bank over draft	121,581	-	-	-	-	121,581
Total liabilities	21,299,392	2,982,620	1,551,706	87,224	153,655	26,074,597
Net assets	2,898,632	1,813,493	323,768	524,751	16,720	5,577,364
Segment assets and liabilities as at 31 December 2009	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
	Kenya	Uganda	Tanzania	Mauritius	Burundi	Total
Property and equipment	26,095	18,937	5,194	51	-	50,277
Investment properties	2,465,000	6,781	102,152	-	-	2,573,933
Investment in associates	2,101,904	1,213,318	-	395,098	-	3,710,320
Investment in shares	4,926,043	84,341	81,504	-	-	5,091,888
Mortgage loans	37,533	13,703	-	-	-	51,236
Loans on life insurance policies	196,324	-	-	-	-	196,324
Government securities at amortised cost	3,570,100	508,016	154,325	-	-	4,232,441
Deposits with financial institutions	2,522,645	313,167	391,273	20,873	-	3,247,958
Commercial bonds	265,359	39,884	-	-	-	305,243
Premium receivables	1,092,753	434,595	313,401	(2)	-	1,840,747
Reinsurers' insurance contract liabilities	495,168	493,997	698,653	-	-	1,687,818
Other receivables	313,781	34,106	103,813	309	-	452,009
Current income tax payable	26,926	29,632	-	-	-	56,558
Deferred income tax	-	2,801	-	-	-	2,801
Cash and bank balances	100,375	54,860	78,832	2,749	-	236,816
Total assets	18,140,007	3,248,138	1,929,148	419,078	-	23,736,371
Insurance contract liabilities	6,997,595	1,202,238	893,302	9,156	-	9,102,291
Payable under deposit administration contracts	7,524,086	84,962	35,050	-	-	7,644,098
Creditors arising out of direct insurance	204,924	-	-	-	-	204,924
Creditors arising out of reinsurance	433,388	357,166	99,662	-	-	890,216
Trade and other payables	610,081	83,492	51,720	815	-	746,108
Deferred income tax	210,564	(1,491)	(21,517)	-	-	187,556
Current income tax payable	43,339	10,239	63,974	-	-	117,552
Borrowings	-	985,135	-	-	-	985,135
Bank over draft	64,394	-	-	-	-	64,394
Total liabilities	16,088,371	2,721,740	1,122,191	9,971	-	19,942,273
Net assets	2,051,636	526,398	806,957	409,107	-	3,794,098

NOTES (continued)

6. GROSS EARNED PREMIUM

Group

Short-Term business

Premium earned by principal class of business:	2010			2009		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Motor	1,489,271	142,664	1,346,607	1,379,128	158,584	1,220,544
Fire	1,140,225	940,723	199,502	758,514	570,231	188,283
Accident	1,810,554	978,615	831,939	1,744,341	909,160	835,181
Medical	2,191,318	582,593	1,608,725	1,614,931	-	1,614,931
Other	386,204	186,054	200,150	417,067	293,859	123,208
Total Short-Term	7,017,572	2,830,649	4,186,923	5,913,981	1,931,834	3,982,147

Long-Term business

Premium earned by principal class of business:	2010			2009		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Ordinary life	711,852	11,788	700,064	491,381	8,774	482,607
Group life	521,515	290,125	231,390	378,626	178,297	200,329
Pension/annuity	241,759	-	241,759	285,051	-	285,051
Total Long -Term	1,475,126	301,913	1,173,213	1,155,058	187,071	967,987
Total Short-Term and Long - Term	8,492,698	3,132,562	5,360,136	7,069,039	2,118,905	4,950,134

7. INVESTMENT INCOME

Group

	2010	2009
	Kshs '000	Kshs '000
Mortgage loan interest	6,848	5,420
Bank deposit interest	357,439	346,155
Government securities interest	576,756	442,379
Interest on policy loans	28,384	25,659
Dividends receivable from equity investments	216,808	234,464
Rental income from investment properties (net of expenses)	219,141	251,381
Fair value gain on investment properties (Note 16)	241,900	-
Exchange gain/ (loss)	47,158	(7,088)
Realised gains on disposal of quoted Shares	354,505	389
Realised gains on disposal of government securities	62,770	-
Other income	37,583	23,630
Total	2,149,292	1,322,389

NOTES (continued)

8. CLAIMS AND POLICYHOLDER BENEFITS PAYABLE

Group

Short-Term business

Claims payable by principal class of business	2010			2009		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Motor	986,453	49,376	937,077	877,494	150,248	727,246
Fire	781,936	686,419	95,517	41,881	(2,854)	44,735
Accident	554,808	245,605	309,203	896,823	440,312	456,511
Medical	1,735,809	541,530	1,194,279	1,257,729	-	1,257,729
Other	279,991	163,556	116,435	183,678	123,730	59,948
Total Short-Term	4,338,997	1,686,486	2,652,511	3,257,605	711,436	2,546,169

Long-Term business

Long Term Business Claims payable by principal class of business	2010			2009		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Ordinary life	227,790	505	227,285	208,272	3,733	204,539
Group life	295,707	210,714	84,993	226,937	133,637	93,300
Pension/annuity	195,041	-	195,041	164,957	-	164,957
Total Long -Term - Claims	718,538	211,219	507,319	600,166	137,370	462,796

Policy Holder Benefits

Increase in policy holders benefits	2010			2009		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Ordinary life	348,188	-	348,188	116,224	-	116,224
Group life	170,920	-	170,920	46,197	-	46,197
Pension/annuity	1,939,778	-	1,939,778	818,782	-	818,782
Total Long -Term - policy holders benefits	2,458,886	-	2,458,886	981,203	-	981,203
Total Long -Term - Claims & policy holders benefits	3,177,424	211,219	2,966,205	1,581,369	137,370	1,443,999
Total Short-Term and Long - Term	7,516,421	1,897,705	5,618,716	4,838,974	848,806	3,990,168

NOTES (continued)

9. OPERATING EXPENSES

Group

The following items have included in operating expenses:

	2010	2009
	Kshs '000	Kshs '000
Employee benefits expense (note 10)	709,837	599,979
Auditors' remuneration	13,678	11,073
Depreciation (Note 15)	26,414	20,429
Impairment charge for doubtful premium receivables	27,479	51,019
Operating lease rentals - land and buildings	94,499	51,864
Repairs and maintenance expenditure	9,212	4,712
Other expenses	433,935	456,429
Total	1,315,054	1,195,505

10. EMPLOYEE BENEFITS EXPENSE

Group

	2010	2009
	Kshs '000	Kshs '000
Wages and salaries	600,038	512,864
National Social Security Fund	14,400	7,461
Retirement benefit costs – defined contribution plan	24,339	20,772
Other benefits	71,060	58,882
Total	709,837	599,979

The number of persons employed by the Group at year-end was 430 (2009: 383).

11. INCOME TAX EXPENSE

	Group		Company	
	2010	2009	2010	2009
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Profit before income tax	2,053,287	1,115,776	331,976	129,337
Tax calculated at 30% (2009: 30%)	619,354	334,733	99,593	38,801
Effect of :				
Income not subject to income tax	(417,488)	(197,417)	(90,960)	(31,616)
Expenses not deductible for tax purposes	4,792	61,823	-	-
Others	7,505	2,964	-	-
Income tax charge	214,163	202,103	8,633	7,185
Current income tax	268,036	204,806	8,633	7,185
Deferred income tax (25)	(53,873)	(2,703)	(64,149)	-
	214,163	202,103	(55,516)	7,185

NOTES (continued)

12. SHARE CAPITAL

The total authorised number of ordinary shares is 49,500,000 (2009: 45,000,000) with a par value of Shs 5 per share. At 31 December 2010 49,500,000 ordinary shares were in issue (2009: 49,500,000 ordinary shares). All issued shares are fully paid.

	Share Capital 2010	Share Capital 2009	Number of shares 2010	Number of shares 2009
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Authorised	225,000	225,000	45,000	45,000
Issued and fully paid:				
At start of year	225,000	225,000	45,000	45,000
Bonus issue of shares	22,500	-	4,500	-
Total	247,500	225,000	49,500	45,000

13. RESERVES

Group

a) Fair value reserves

	2010	2009
	Kshs '000	Kshs '000
At start of year	(461,168)	(531,507)
Transfer of reserves on adoption of IFRS 9	9,715	177,212
Fair value gains/(losses) through OCI	213,838	(106,873)
Transfer to retained earnings on disposal	(20,041)	-
At end of year	(257,656)	(461,168)

The fair value reserve is non-distributable.

b) General reserves (Group)

	2010	2009
	Kshs '000	Kshs '000
At start of year	70,000	70,000
Transfer to retained earnings	-	-
At start and end of year	70,000	70,000

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

c) Translation reserve (Group)

	2010	2009
	Kshs '000	Kshs '000
At start of year	22,957	32,196
Movement for the year	(37,899)	(9,239)
At start and end of year	(14,942)	22,957

d) Contingency reserve (Group)

	2010	2009
	Kshs '000	Kshs '000
At start of year	232,225	186,400
Transfer from retained earnings	182,179	45,825
At start and end of year	414,404	232,225

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

NOTES (continued)

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 Shs 49.5 million was paid (2009: Shs 45 million) or Shs 1.00 per share (2009: Shs 1.00 per share). At the Annual General Meeting to be held on 26th May, 2011 a final dividend of Shs 222.75 million (2009: Shs 157.5 million) is to be proposed, which is Shs4.50 per share (2009: Shs 3.5). The total dividend is therefore Shs 272.75 million (2009: Shs 202.5million) or Shs 5.50 per share (2009: Shs 4.50 per share).

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

15. PROPERTY AND EQUIPMENT

Group

	Computer equipment	Motor vehicles	Furniture, fixtures, fittings & office equipment	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Year ended 31 December 2010				
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	380,140
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	12,897	30,017	61,168

	Computer equipment	Motor vehicles	Furniture, fixtures, fittings & office equipment	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Year ended 31 December 2009				
Cost				
At start of year	151,488	30,802	139,448	321,738
Additions	17,476	3,143	4,950	25,569
Disposals	(593)	(1,932)	(144)	(2,669)
Exchange adjustment	1,551	(1,251)	1,872	2,172
At end of year	169,922	30,762	146,126	346,810
Depreciation				
At start of year	146,618	22,048	108,335	277,001
Charge for the year	8,056	3,700	8,674	20,430
On disposals	(560)	(1,420)	(107)	(2,087)
Exchange adjustment	1,459	(1,353)	1,083	1,189
At end of year	155,573	22,975	117,985	296,533
Net book value	14,349	7,787	28,141	50,277

NOTES (continued)

16. INVESTMENT PROPERTIES

	Group		Company	
	2010 Kshs '000	2009 Kshs '000	"2010" Kshs '000	"2009" Kshs '000
At start of year	2,573,932	2,471,389	760,000	760,000
Net additions/(disposals)	72,868	102,152	(760,000)	-
Exchange difference	(5,755)	392	-	-
Fair value gains (note 7)	241,900	0	-	-
At end of year	2,882,945	2,573,933	-	760,000

The valuation of investment properties was carried out by M/S Mohamed A Samji on the basis of open market value. Investment properties include properties situated outside Kenya valued at Shs 859 million (2009: Shs 760 million).

17. INVESTMENT IN ASSOCIATED COMPANIES AND SUBSIDIARIES

(i) INVESTMENT IN ASSOCIATED COMPANIES

Movement in Net Assets

Group

	Opening Balance	Additions/Transfers	Dividends received	Share of result	Translation gain/loss	Closing Balance
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Year 2010						
IPS Power Investments Ltd	169,268	-	-	-	-	169,268
PDML (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 Systems Ltd	395,096	-	-	115,072	-	510,168
Total	3,710,320	-	(62,112)	420,979	56,987	4,126,174
	Opening Balance	Additions/Transfers	Dividends received	Share of result	Translation gain/loss	Closing Balance
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Year 2009						
IPS Power Investments Ltd	169,268	-	-	-	-	169,268
PDML (Holding) Limited	875,560	-	(9,765)	96,212	-	962,007
Bujagali Holding Power Company Limited	1,178,775	-	-	-	(42,880)	1,135,895
FCL Holding Ltd	-	969,938	(25,384)	103,500	-	1,048,054
IPS Cable Systems Ltd	-	353,282	-	41,814	-	395,096
Total	2,223,603	1,323,220	(35,149)	241,526	(42,880)	3,710,320

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. Property Development and Management Limited 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 its main objective being sale of fresh and processed meat products. IPS Cable Systems Ltd is an investment vehicle company which has invested in the 15,000 km Seacom submarine fiber optic cable project.

The latest available financial statements as at 31st December, 2009 for Bujagali Holding Power Company Limited and IPS Cable 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.

NOTES (continued)

17. INVESTMENT IN ASSOCIATED COMPANIES AND SUBSIDIARIES (CONTINUED)

Movement in Net Assets

Company

	Opening Balance	Additions/Transfers	Dividends received	Share of result	Translation gain/loss	Closing Balance
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Year 2010						
FCL Holding Ltd	524,027	-	(26,142)	68,100	-	565,985
IPS Cable Systems Ltd	395,096	-	-	115,072	-	510,168
Total	919,124	-	(26,142)	183,172	-	1,076,154
	Opening Balance	Additions/Transfers	Dividends received	Share of result	Translation gain/loss	Closing Balance
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Year 2009						
FCL Holding Ltd	-	484,969	(12,692)	51,751	-	524,028
IPS Cable Systems Ltd	-	353,282	-	41,814	-	395,096
Total	-	838,251	(12,692)	93,565	-	919,124

Interest in Principle Associates

Group

	Country of Incorporation	Assets	Liabilities	Revenues	Profit/(loss)	Interest Held
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Year 2010						
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 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	
	Country of Incorporation	Assets	Liabilities	Revenues	Profit/(loss)	Interest Held
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Year 2009						
IPS Power Investments Ltd	Kenya	5,230,388	2,836,032	5,832,182	512,215	27%
PDML (Holding) Limited	Kenya	2,798,780	292,462	209,477	121,162	37%
Bujagali Holding Power Company Limited	Uganda	4,690,826	430	(914)	(1,071)	25%
FCL Holding Ltd	Kenya	1,759,137	517,251	3,453,373	346,716	30%
IPS Cable Systems Ltd	Mauritius	4,297,439	2,997,731	386,766	126,708	33%
Total		18,776,570	6,643,906	9,880,884	1,105,730	

Company

	Country of Incorporation	Assets	Liabilities	Revenues	Profit/(loss)	Interest Held
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Year 2010						
FCL Holding Ltd	Kenya	3,108,600	817,437	4,144,164	452,227	15%
IPS Cable 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	
	Country of Incorporation	Assets	Liabilities	Revenues	Profit/(loss)	Interest Held
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Year 2009						
FCL Holding Ltd	Kenya	1,759,137	517,251	3,453,373	346,716	15%
IPS Cable Systems Ltd	Mauritius	4,297,439	2,997,731	386,766	126,708	33%
Total		6,056,576	3,514,982	3,840,139	473,424	

NOTES (continued)

17. INVESTMENT IN ASSOCIATED COMPANIES AND SUBSIDIARIES (CONTINUED)

i. INVESTMENT IN SUBSIDIARIES

Company	Share Capital 2010	Share Capital 2009	Share Capital 2009	Share Capital 2009
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	59,491	80%	80%
Jubilee Insurance Burundi Limited	-	-	70%	0%
Jubilee Investment Company Limited (Kenya)	50,498	50,498	100%	100%
Jubilee Investment Company Limited (Uganda)	1,103,707	62,987	100%	100%
Jubilee Investment Company Limited (Tanzania)	298	298	100%	100%
Jubilee Investment Company Limited (Burundi)	426	-	100%	0%
Jubilee Investment Company Limited (Burundi)	-	-	80%	0%
Total	1,762,527	721,380		

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 its subsidiary Jubilee Investment Company of Burundi.

18. QUOTED SHARES

Group

	FV Through P/L 2010 Kshs'000	FV Through OCI 2010 Kshs'000	Total 2010 Kshs'000	FV Through P/L 2009 Kshs'000	FV Through OCI 2009 Kshs'000	Total 2009 Kshs'000
At start of year	3,195,710	844,586	4,040,296	3,925,286	-	3,925,286
Additions	1,168,662	23,265	1,191,927	122,728	-	122,728
Disposals	(918,749)	(457,981)	(1,376,730)	(9,019)	-	(9,019)
Transfer to retained earnings on disposal	-	(20,041)	(20,041)	-	-	-
Reclassification FVTPL-FVTOCI	-	-	-	(951,734)	951,734	-
Transfer to retained earnings on reclassification	-	-	-	(23,889)	-	(23,889)
Fair value gains/ (loss) through other comprehensive income	-	219,841	219,841	-	(107,149)	(107,149)
Fair value gains through profit and loss	1,629,477	-	1,629,477	132,338	-	132,338
Exchange loss	-	(11,754)	(11,754)	-	-	-
At end of year	5,075,100	597,916	5,673,016	3,195,710	844,585	4,040,295

Company

	FV Through P/L 2010 Kshs'000	FV Through OCI 2010 Kshs'000	Total 2010 Kshs'000	FV Through P/L 2009 Kshs'000	FV Through OCI 2009 Kshs'000	Total 2009 Kshs'000
At start of year	-	402,568	402,568	397,777	-	397,777
Disposals	-	(378,134)	(378,134)	-	-	-
Transfer to retained earnings on disposal	-	(10,527)	(10,527)	-	-	-
Reclassification FVTPL-FVTOCI	-	-	-	(397,777)	397,777	-
Fair value gains/ (loss) through other comprehensive income	-	2,422	2,422	-	4,791	4,791
At end of year	-	16,329	16,329	-	402,568	402,568

NOTES (continued)

19. UNQUOTED SHARES

Group

	FV Through P/L 2010 Kshs'000	FV Through OCI 2010 Kshs'000	Total 2010 Kshs'000	FV Through P/L 2009 Kshs'000	FV Through OCI 2009 Kshs'000	Total 2009 Kshs'000
At start of year	1,011,495	40,098	1,051,593	845,775	346,271	1,192,046
Additions/Transfers	-	-	-	-	(353,282)	(353,282)
Reclassification FVTPL-FVTOCI	-	-	-	(24,903)	24,903	-
Fair value loss through other comprehensive income	-	1,117	1,117	-	22,206	22,206
Fair value gains through profit and loss	3,626	-	3,626	190,623	-	190,623
Exchange loss	-	(3,379)	(3,379)	-	-	-
At end of year	1,015,121	37,836	1,052,957	1,011,495	40,098	1,051,593

Company

	FV Through P/L 2010 Kshs'000	FV Through OCI 2010 Kshs'000	Total 2010 Kshs'000	FV Through P/L 2009 Kshs'000	FV Through OCI 2009 Kshs'000	Total 2009 Kshs'000
At start of year	-	6,081	6,081	-	346,271	346,271
Additions/Transfers	-	-	-	-	(353,282)	(353,282)
Fair value loss through other comprehensive income	-	-	-	-	13,092	13,092
At end of year	-	6,081	6,081	-	6,081	6,081

20. LOANS RECEIVABLE

Group

(i) Mortgage Loans	2010 Kshs'000	2009 Kshs'000
At start of year	51,235	41,345
Loans advanced	-	12,859
Accrued Interest and penalties	4,808	8,493
Less: Provision for impairment losses during the year	682	(3,029)
Redemptions/repayments	(14,887)	(12,517)
Exchange difference	(1,677)	4,085
At end of year	40,161	51,236
Maturity profile of mortgage loans		
Loans maturing		
Within 1 year	7,106	1,137
In 1-5 years	24,300	29,597
In over 5 years	8,755	20,501
Total	40,161	51,235

NOTES (continued)

20. LOANS RECEIVABLE (CONTINUED)

Group

(ii) Loans on life insurance policies	2010	2009
	Kshs '000	Kshs '000
At start of year	196,324	189,895
Loans advanced	59,706	64,722
Interest	28,914	25,359
Loan repayments	(71,254)	(84,226)
Impairment charge	304	574
At end of year	213,994	196,324
Maturity profile of policy loans		
Loans maturing		
Within 1 year	20,454	34,568
In 1-5 years	63,255	113,272
In over 5 years	130,285	48,484
Total	213,994	196,324

21. GOVERNMENT SECURITIES AT AMORTISED COST

Group

	2010	2009
	Kshs '000	Kshs '000
Treasury bonds maturing within 1 year	627,611	547,076
Treasury bonds maturing in 1-5 years	326,413	1,069,250
Treasury bonds maturing after 5 years	5,389,994	2,616,115
Total	6,344,018	4,232,441

22. REINSURERS' SHARE OF INSURANCE CONTRACT LIABILITIES

Group

	2010	2009
	Kshs '000	Kshs '000
Reinsurers' share of:		
- Unearned premium (Note 30)	1,438,051	725,734
- Notified claims outstanding and IBNR (Note 35)	1,139,851	962,085
Total	2,577,902	1,687,819

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

NOTES (continued)

23. DEFERRED ACQUISITION COSTS

Group

	2010	2009
	Kshs '000	Kshs '000
At start of year	123,525	112,440
Net (decrease)/increase	(17,645)	11,673
Translation gain/ (loss)	6,263	(588)
At end of year	112,143	123,525

24. OTHER RECEIVABLES

	Group		Company	
	2010	2009	2010	2009
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Prepayments	245,257	324,731	-	-
Staff accounts	2,872	3,438	-	-
Sundry debtors	180,893	123,840	9	9
Total	429,022	452,009	9	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% (2009: 30%). The movement in the deferred income tax account is as follows:

	Group		Company	
	2010	2009	2010	2009
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
At start of year	184,755	187,458	122,683	122,683
Income statement charge	(53,873)	(2,703)	(64,149)	-
Crystallised during the year	(46,297)	-	(46,297)	-
At end of year	84,585	184,755	12,237	122,683
Deferred income tax asset	12,619	2,801	-	-
Deferred income tax liability	97,204	187,556	12,237	122,683
Net deferred income tax liability	84,585	184,755	12,237	122,683

NOTES (continued)

25. DEFERRED INCOME TAX (CONTINUED)

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			Company			Kshs '000 31st December 2010
	1st January 2010	Charged P&L	Crystallised during the year	1st January 2010	Charged P&L	Crystallised during the year	
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	-
Net deferred income tax liability	184,755	(53,873)	(46,297)	84,585	122,683	(64,149)	(46,297)

	Group			Company			Kshs '000 31st December 2009
	1st January 2009	Charged P&L	Crystallised during the year	1st January 2009	Charged P&L	Crystallised during the year	
Fair value gains on investment properties	223,480	-	-	223,480	120,973	-	120,973
Accelerated depreciation	(12,289)	(2,703)	-	(14,992)	-	-	-
Impairment provisions and other deductible temporary difference	(23,733)	-	-	(23,733)	-	-	-
Other deductible temporary differences	-	-	-	-	1,710	-	1,710
Net deferred income tax liability	187,458	(2,703)	-	184,755	122,683	-	122,683

26. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2010 Kshs '000	2009 Kshs '000	2010 Kshs '000	2009 Kshs '000
Cash and bank balances	622,795	236,816	5,208	17,449
Short-term deposits with banks	3,337,658	3,247,958	45,050	5,804
Bank overdraft (Note 32)	(121,581)	(64,394)	-	(7)
Total	3,838,872	3,420,380	50,258	23,246
Commercial Bonds	1,111,380	305,243	-	-

27. EARNINGS PER SHARE

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

	2010 Kshs '000	2009 Kshs '000
Net profit attributable to Shareholders ('000)	1,755,761	824,982
Adjusted weighted average number of ordinary shares in issue (thousands)	47,250	47,250
Earnings per share (Shs)-Basic and diluted (2009 restated)	37	17.46

There were no potentially dilutive shares in issue at 31 December, 2010 and 31 December, 2009. Diluted earnings per share are therefore the same as basic earnings per share. The 2009 earnings per share has been adjusted to incorporate increase in number of shares as a result of a bonus share issue in 2010.

28. INSURANCE CONTRACT LIABILITIES

	2010 Kshs '000	2009 Kshs '000
Short-Term non-life insurance contracts		
Claims reported and Claims handling expenses	2,306,036	2,213,174
Claims incurred but not reported	509,108	525,460
Total Short-Term	2,815,144	2,738,634
Long Term insurance contracts		
- Claims reported and claims handling expenses	353,601	243,457
- Actuarial value of long term liabilities	4,595,180	3,607,214
Total Long-Term	4,948,781	3,850,671
Total gross insurance liabilities	7,763,925	6,589,305

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 2010 and 2009 are not material.

NOTES (continued)

28. INSURANCE CONTRACT LIABILITIES (CONTINUED)

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.

Short – 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	2006 Shs'000	2007 Shs'000	2008 Shs'000	2009 Shs'000	2010 Shs'000	Total Shs'000
Estimate of ultimate claims cost						
at end of accident year	123,590	202,028	404,063	2,128,377	3,146,561	6,004,619
one year later	156,321	275,668	374,566	670,967	-	1,477,522
two years later	67,843	57,077	178,445	-	-	303,365
three years later	37,495	85,080	-	-	-	122,575
four years later	47,438	-	-	-	-	47,438
Incurred per accident year	202,045	290,304	463,352	822,974	3,146,561	4,925,236
Current estimate of cumulative claims	(137,302)	(165,288)	(173,925)	-	23,982	(452,533)
Less: cumulative payments to date	(42,907)	(24,539)	(67,384)	(363,105)	(1,668,732)	(2,166,667)
Total gross claims liability included in the balance sheet before IBNR	21,836	100,477	222,043	459,869	1,501,811	2,306,036
Incurred but not reported	-	-	-	-	509,108	509,108
Total gross claims liability included in the balance sheet	21,836	100,477	222,043	459,869	2,010,919	2,815,144

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, 2010 by Nauman Associates, 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:

28. INSURANCE CONTRACT LIABILITIES (CONTINUED)

- 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.
- 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.
- 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 31.12.2010, the reserve will be held equal to the unearned portion of the office premium plus Incurred But Not Reported (IBNR) claims reserve..
- Under Deposit Administration the reserve was taken equal to amount of the fund at the valuation date, including the 2010 bonus declaration.
- Under the non-participating universal life policies, the reserve was calculated as equal to fund value at 31 December, 2010.

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 cashflows on the various policies, such as actual premiums payable, commissions, expenses, claims, investment returns, bonuses etc. This resulting best-estimate liability was lower than that calculated using the NPV, demonstrating that the statutory liabilities are sufficient. All assets (including the excess of assets over liabilities) have been valued at market value/fair value as detailed in the notes to the financial statements

Sensitivity analysis

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

28. INSURANCE CONTRACT LIABILITIES (CONTINUED)

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%

NOTES (continued)

29. PAYABLE UNDER DEPOSIT ADMINISTRATION CONTRACTS (GROUP)

	2010 Kshs '000	2009 Kshs '000
At start of year	7,644,098	5,967,517
Pension fund deposits received	2,164,230	1,684,281
Surrenders and annuities paid	(815,560)	(557,855)
Interest credited to deposit administration policyholders	1,419,577	551,737
Translation loss	(11,487)	(1,582)
At end of year	10,400,858	7,644,098

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, 2010.

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

	2010			2009		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At start of year	2,536,708	738,048	1,798,660	2,110,693	612,324	1,498,369
Increase in the period (net)	973,469	700,003	273,466	402,293	113,410	288,883
At end of year	3,510,177	1,438,051	2,072,126	2,512,986	725,734	1,787,252

31. TRADE AND OTHER PAYABLES

	Group		Company	
	2010 Kshs '000	2009 Kshs '000	2010 Kshs '000	2009 Kshs '000
Payroll liabilities	2,510	7,252	-	-
VAT payable	16,980	4,960	-	-
Withholding taxes payable	18,191	52,166	-	-
Other liabilities	262,880	241,414	182	68
Other accruals	518,798	330,322	4,696	5,320
Total	819,359	636,114	4,878	5,388

32. BORROWINGS

The borrowings are made up as follows:

	Group		Company	
	2010 Kshs '000	2009 Kshs '000	2010 Kshs '000	2009 Kshs '000
Bank overdraft	121,581	64,394	-	7
Bank borrowing	1,207,598	985,135	-	-
Total borrowing	1,329,179	1,049,529	-	7

The bank borrowing relates to a loan of USD 1.5 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. The loan is secured by corporate guarantee from the Company.

33. CONTINGENT LIABILITIES, COMMITMENTS AND OFF BALANCE SHEET ITEMS

The Group companies are subjected 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 the Group.

Treasury bonds of Kshs1,260.45 million are held under lien with the Central Bank as security deposit in favour of the Commissioner of Insurance as required under the provisions of section 32 of Kenya Insurance Act, Kshs 11.06 million are held under lien with the Bank of Uganda as a security deposit in favour of the Commissioner of Insurance as required under the provision sections 7 (i) of Uganda Insurance act and Kshs 28.38 million are held under lien with the bank of Tanzania as security deposit in favour of the Commissioner of insurance as required under the provision of Tanzania Insurance Act.

The Group does not have any material outstanding commitments. The Group has a Kshs 30million overdraft guarantee and letters of guarantee amounting to Kshs 66 million with Diamond Trust Bank Kenya Limited.

NOTES (continued)

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.

Transactions with related parties (Group)	2010 Kshs '000	2009 Kshs '000
Gross premium:		
Diamond Trust Bank Limited	48,648	19,089
Industrial Promotion Services (Kenya) Limited	91,193	138,375
TPS Eastern Africa Limited	9,557	31,642
Property Development and Management Limited	5,592	7,678
Nation Media Group	85,069	65,373
Total	240,059	262,157
Net claims incurred:		
Diamond Trust Bank Limited	35,811	13,550
Industrial Promotion Services (Kenya) Limited	52,219	14,873
TPS Eastern Africa Limited	506,957	14,213
Property Development and Management Limited	2,091	3,656
Nation Media Group	85,073	49,939
Total	682,151	96,231
Services received from:		
Industrial Promotion Services (Kenya) Limited	4,305	1,983
TPS Eastern Africa Limited	1,033	6,253
Property Development and Management Limited	5,022	8,506
Nation Media Group	3,218	2,073
Total	13,578	18,815
ii) Balances with related parties		
Outstanding premium:		
Diamond Trust Bank Limited	20,143	664
Industrial Promotion Services (Kenya) Limited	2,117	4,427
TPS Eastern Africa Limited	51	(6)
Property Development and Management Limited	19	68
Nation Media Group	5,489	12,201
Total	27,819	17,354
Outstanding claims:		
Diamond Trust Bank Limited	3,538	10,192
Industrial Promotion Services (Kenya) Limited	42,695	22,437
TPS Eastern Africa Limited	22,749	3,948
Property Development and Management Limited	490	758
Nation Media Group	36,521	30,215
Total	105,993	67,550
Deposits with financial institutions		
Diamond Trust Bank Limited	1,552,108	1,260,063
Total	1,552,108	1,260,063
Interest received from financial institutions		
Diamond Trust Bank Limited	193,215	316,611
Total	193,215	316,611

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Shareholders' Funds	5,114	3,389	2,871	3,606	3,393	2,370	2,094	2,029	1,711	1,555	1,619
Share Capital	247.5	225	225	225	180	180	180	180	180	180	180
Long-Term Business Funds	14,637	11,495	11,730	9,333	6,504	5,115	4,081	3,310	2,812	2,474	2,018
Total Assets	31,652	23,736	20,203	17,942	15,356	11,591	9,724	8,406	6,629	5,649	5,201
Profit Before Tax	2,053	1,116	901	810	665	471	359	313	213	170	117
Profit Attributable to Shareholders	1,756	825	636	617	528	348	241	213	164	121	78
Profit Attributable to Non - Controlling interest	83	89	77	46							
Dividends to Shareholders	272	203	191	191	153	144	90	81	63	63	63
Dividend Cover Ratio	6.45	4.07	3.33	3.23	3.45	2.42	2.68	2.63	2.61	1.92	1.24
Bonus Issue	1:10	1:10	-	1:04	-	-	-	-	-	-	-
* Earnings Per Share ((Shs) (par value Shs 5)	35.47	16.67	12.85	12.46	10.67	7.03	4.87	4.30	3.31	2.44	1.58

* Earnings per share has been calculated on 49.5 million shares for all the year

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