The Jubilee Insurance Company Limited

Incorporated in Kenya, Established 1937

52 YEARS OF SERVICE

ANNUAL REPORT AND ACCOUNTS, 31 DECEMBER 1988

Contents

Notice of the Fifty First Annual General Meeting

NOTICE is hereby given that the Fifty-First Annual General Meeting of the Shareholders will be held at the Nairobi Hilton Hotel, Moi Avenue, Nairobi, on 30th June, 1989 at 10.00 a.m. to transact the following:

Ordinary Business

1. To consider and, if thought fit, to adopt the Accounts for the year ended 31st December, 1988 and the Report of the Directors and the Report of the Auditors thereon.

2. To confirm the payment of the interim dividend of 15% made on 13th December, 1988, and approve the payment of a final dividend of 20% on the issued and paid-up capital of the Company on or about 14th July, 1989 to Shareholders registered on 30th June, 1989. The payment of the interim and the final dividends to non-resident Shareholders is subject to Exchange Control approval.

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

   (i) Mr J.M. Mugwe
   (ii) Mr S.H. Tejpar
   (iii) Mr I.H. Kassam

4. To fix the Directors' remuneration.

5. To re-appoint Messrs. Coopers & Lybrand as Auditors and to authorise the Directors to determine their remuneration for the ensuing year.

6. To transact any other business proper to be transacted at such Ordinary Meeting.

Special Business

1. To consider and, if thought fit, to approve the following Resolution which will be proposed as an Ordinary Resolution:
   "RESOLVED that it is desirable in pursuance of Articles 128 of the Articles of Association of the Company to capitalise the Share Premium Account and/or a part of the Retained Profits to the total sum of Kshs.20,000,000/- and accordingly that such sum be capitalised and that subject to the Treasury and Exchange Control approvals the Directors be and are hereby authorised and directed to appropriate such sum to the holders of ordinary shares held by them respectively and to apply such sum on behalf of such holders in paying up in full at par 4,000,000 ordinary shares of unissued shares in the capital of the Company, such shares to be allotted and distributed, credited as fully paid up to and amongst such holders in the proportion of TWO NEW ORDINARY SHARES FOR EVERY THREE ORDINARY SHARES held on 30th June, 1989 upon the terms that such new shares when issued shall not rank for the Dividend in respect of the year ended 31st December, 1988 but shall rank, in all other respect, pari passu with the existing ordinary shares of the Company and the Directors be and are hereby authorised to generally do all acts and things required to give effect to this Resolution and deal with fractions in such manner as they should think fit subject always to the Articles of Association of the Company."

2. To consider and if thought fit, to adopt the following Resolution, which will be proposed as an Ordinary Resolution:

   "RESOLVED that the authorised capital of the Company be and is hereby increased from Kshs.50,000,000 divided into 10,000,000 ordinary shares of Kshs.5/- each to Kshs.100,000,000 divided into 20,000,000 ordinary shares of Kshs.5/- each by the creation of an additional 10,000,000 ordinary shares of Kshs.5/- each, ranking pari passu with the existing ordinary shares".

3. Special Notice has been received by the Company pursuant to the Companies Act (Cap. 486) that the following resolution be proposed in accordance with Section 186(5) of the Companies Act (Cap. 486) for the consideration of the shareholders.

   "RESOLVED that Mr A H Rashid who has already attained the age of 70 years, be and is hereby re-elected as a director of the Company"

By Order of the Board
Fred Nzuve
Company Secretary

P.O. Box 30376
Nairobi, Kenya
26th May, 1989

Company Details

Capital and Reserves	Authorised Capital	Shs.	50,000,000
	Issued Capital	Shs.	30,000,000
	Paid Up Capital	Shs.	30,000,000
	Reserves	Shs.	231,659,904

Registered Head Office

Jubilee Insurance House
Wabera Street
P.O. Box 30376
Telephone: 340343
Telefax 728197
Telex: 22199
Nairobi, Kenya

Branches

Mombasa:

Jubilee Insurance Building
P.O. Box 90220
Telephones: 316745, 316746 & 314019
Mombasa, Kenya

Kisumu:

Jubilee Insurance House
Opposite Clock Tower
Oginga Odinga Road
P.O. Box 378
Telephones: 42235 & 42250
Kisumu, Kenya

Kampala:

IPS Building
14 Obote Avenue
Kampala, Uganda

Overseas Office

9, Corderie Street
P.O. Box 301
Telephone: 23113
Port Louis, Mauritius

Consulting Actuaries

Hymans, Robertson & Co.
London

Auditors

Coopers & Lybrand

Stock Brokers

Ngenye Kariuki & Co.
Nairobi

Bankers

Standard Chartered Bank Kenya Limited
Standard Chartered Bank Uganda Limited
Barclays Bank PLC, Mauritius
National Bank of Commerce Tanzania

Board of Directors

Abdul M. Jaffer, *Chairman*
Abdul Karim C. Popat
Zaherally K. Ahamed
Lutaf Maherali
Sir Hamid Moollan Q.C.
Amirali H. Rashid
William B. Robinson (Alternate to A.H. Rashid)
Sadrudin H. Tejpar
Joseph M. Mugwe
Iqbal H. Kassam

Sir Eboo Pirbhai O.B.E., Advisor to the Board

Company Management

Chairman

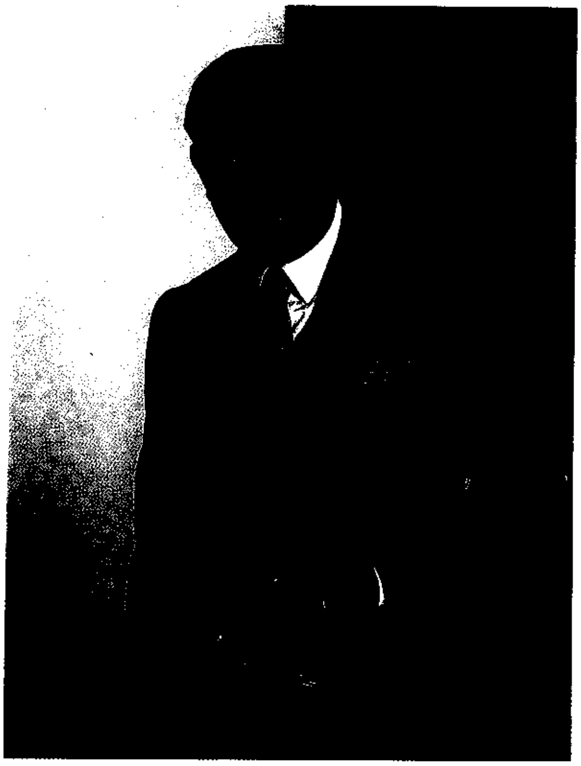
Senior Executive Manager
Financial Controller

Executive Managers

Senior Managers

Managers

Assistant Managers



Dear Shareholders,

The overall performance of your Company, as you will see from this report, continues to remain satisfactory and I am happy to convey to you the recommendations of the Board of Directors to offer a significant bonus issue of shares to existing Shareholders which, aggregated with our regular dividend declaration is, I feel, a generous reward this year for your investment in the Company. However, I must first discuss with you the salient features relating to our performance.

THE INSURANCE INDUSTRY

The Insurance Act, 1984
Having completed two years of the inception of this legislation, the Insurance Industry has settled down to the various provisions of the Act. We remain fully convinced that, in the long run, the provisions of the Act will assist to strengthen the market and protect the interests of both the insuring public and the Insurance Industry.

Our Company's total investments in Kenya Government securities, as required under the provisions of the Act, now total Shs.147 million.

Kenya Motor Insurance Pool
In my Statement last year, I advised you that the financial results of the Pool showed an aggregate loss of Shs.87.2 million, after investment income. You will be distressed to know that the financial results of the Pool in the year 1988 alone showed a loss of Shs.166.6 million, thereby increasing the aggregate Pool loss to Shs.253.8 million borne by the Insurance Industry. A loss of this magnitude has had a major impact on the underwriting performance of the entire insurance market including the Jubilee, which has for the second successive year incurred a multi-million shillings underwriting loss.

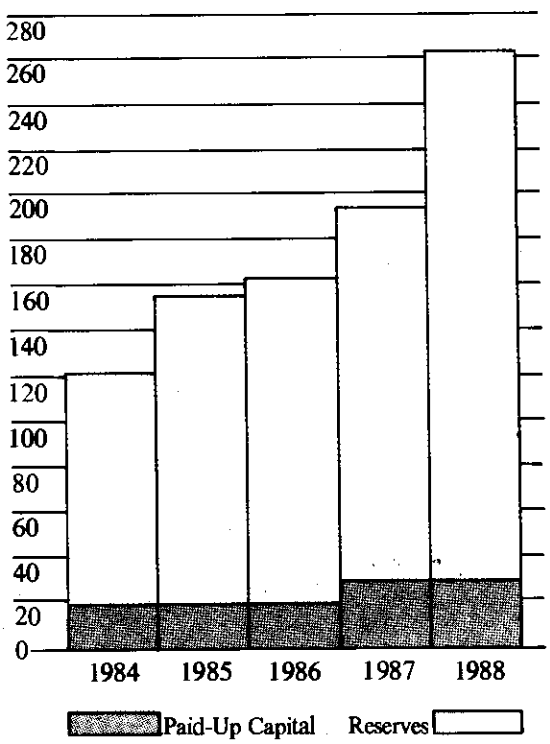
FINANCIAL PERFORMANCE

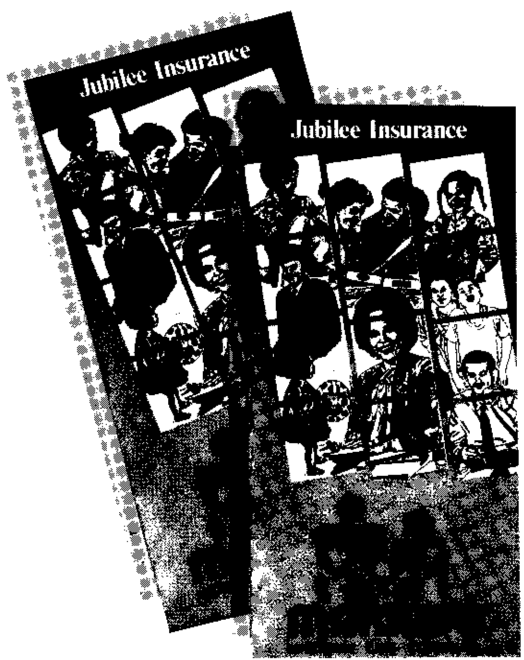
The Company grew in Direct premium income by 20% in the year 1988, increasing the Non-Life premium to Shs.139.5 million. Our Direct net written premium has increased by 29%, which indicates that we have retained a relatively larger share of premium for our net account, as distinct from reinsuring it with local or foreign companies. Unfortunately, we have experienced an underwriting loss of Shs.3.8 million. Had it not been for the loss allocated to us by the Kenya Motor Insurance Pool of Shs.7.5 million, we would have had an underwriting profit of Shs.3.7 million.

Our investment income grew from Shs.27.5 million in 1987 to Shs.32.4 million in 1988, which has helped us to off-set the underwriting loss and yet produce an after-tax profit of Shs.29.4 million in 1988 as compared to Shs.23.7 million in 1987, representing an increase of 24%.

The Shareholders Funds have increased from Shs.194.1 million in 1987 Shs.261.6 million in 1988, due to revaluation of the real estate portfolio and also the retained earnings for the year 1988. The graph shows growth in the Shareholders Funds in the past five years, split amongst Paid-Up Capital, and Reserves.

Shareholders' Funds (Millions of Shillings)





DIVIDENDS AND BONUS ISSUE

You will be happy to know that our Board of Directors have recommended for consideration at the forthcoming Annual General Meeting that a Bonus issue of shares be allocated to the Shareholders in the ratio of two shares for every three shares. This will increase the Paid-Up Share Capital of the Company from the present Shs.30 million to Shs.50 million, making the Jubilee one of the higher capitalised companies in Kenya. The Board of Directors also suggest increase in the Authorised/Nominal Share Capital to Shs.100 million.

Simultaneously, the Board has recommended payment of the present 35% dividend to Shareholders.

LIFE BUSINESS AND BONUS FOR LIFE WITH-PROFITS POLICYHOLDERS

The Jubilee has expended full energies in enhancing the volume of Life business. We are confident that the efforts applied by us will show results in years to come. In particular, we have strengthened our Life sales force by a significant number and training.

In addition, we are researching new products which have special appeal to the public. In 1988, we introduced Maxi Life, a superb life assurance policy which provides the assured with the opportunity of maximum protection and lifetime savings.

The Jubilee Insurance House, Kisumu

Based on our actuarial results for the year 1988, we are happy to announce that we will maintain our existing Bonus rate of 4.75% for the year 1988 as per the advice of our Actuary.

JUBILEE'S OFFICES

Nairobi
With the continuing expansion of our business, we are happy to announce that we have added an additional floor to our existing prestigious and centrally situated complex Jubilee Insurance House and Jubilee Place, at

Construction work being carried out at one of the new seventh floor wings at Jubilee Insurance House.

the corner of Wabera Street and Mama Ngina Street in Nairobi for our own occupation.

Kisumu

As you are aware, we acquired a new building in the city-centre of Kisumu some three years ago. This building has now been renovated and extended and has been renamed to identify with our Company. Here again, the new space added to the building has been occupied solely by us for our Western Kenya operations, which, incidentally, are under the charge of our newly appointed Branch Manager, Mr. Joram Oluchiri.

JUBILEE'S OUTLOOK AND PHILOSOPHY

We remain firmly committed to apply sound underwriting principles to our business in order that we can produce underwriting profit on Non-Life business for ourselves and our Reinsurers. However, we remain immensely concerned with the impact caused by the Kenya Motor Insurance Pool on our overall underwriting results. If this state of affairs is allowed to continue, there is no expectation on our part to make any underwriting profit. Premium rate increases and/or curtailment in the level of awards are recommended measures to correct the situation.

The Jubilee continues to offer economic terms to their clients for risks underwritten and efficient claims service, thereby creating a sense of confidence by the insuring public in the Company. We remain vigilant to the changes in the environment and modify our products range to suit our clients. We feel sure that, with this approach, the Jubilee can look to the future with cautious optimism.

CONCLUSION

The success of the Jubilee is attributed to the Board of Directors and the performance of the Management and Staff of the Company. For their contribution to our success, I convey my deep gratitude. Equally, I convey my gratitude to Insurance Brokers and Insurance Agents who have supported us in the year 1988 and to a large number of clients who have entrusted their risks to us, which has led us to achieve a prominent position in the market. To all these parties, I would once again assure of our commitment to maintain Jubilee Insurance as a well managed, responsive and empathetic organisation to serve their future needs.

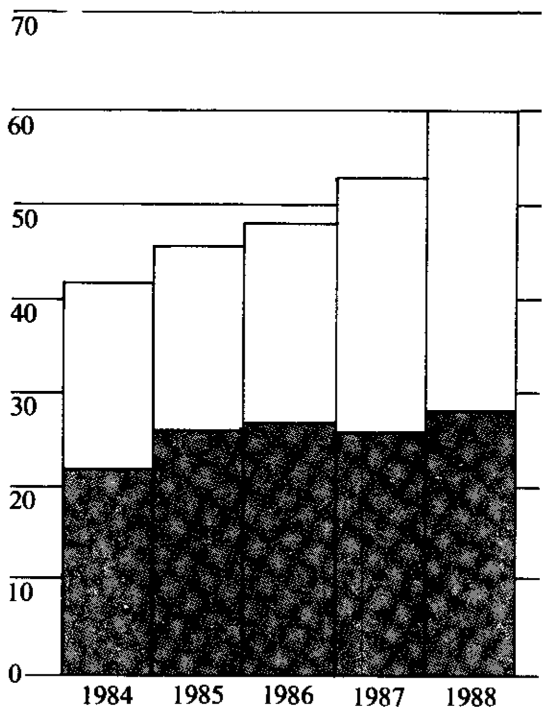
Yours sincerely,

Abdul M. Jaffer

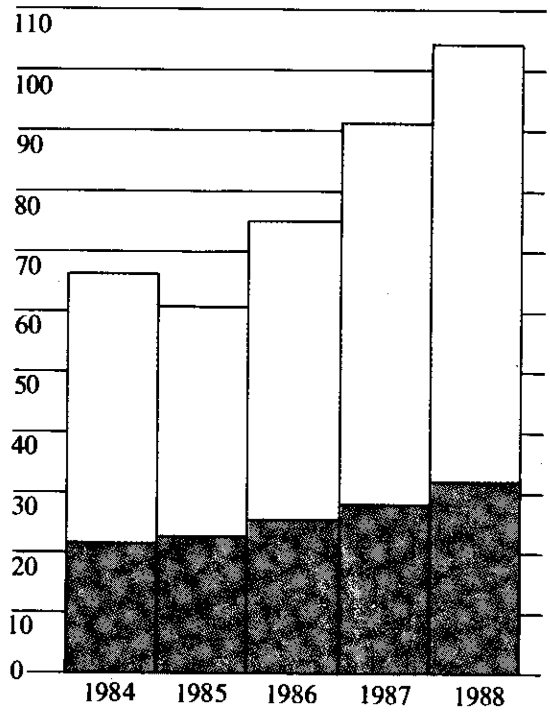
Abdul M. Jaffer — Nairobi, Kenya
Chairman — 26th May, 1989

Financial Highlights

Total Investment Income (Millions of Shillings)



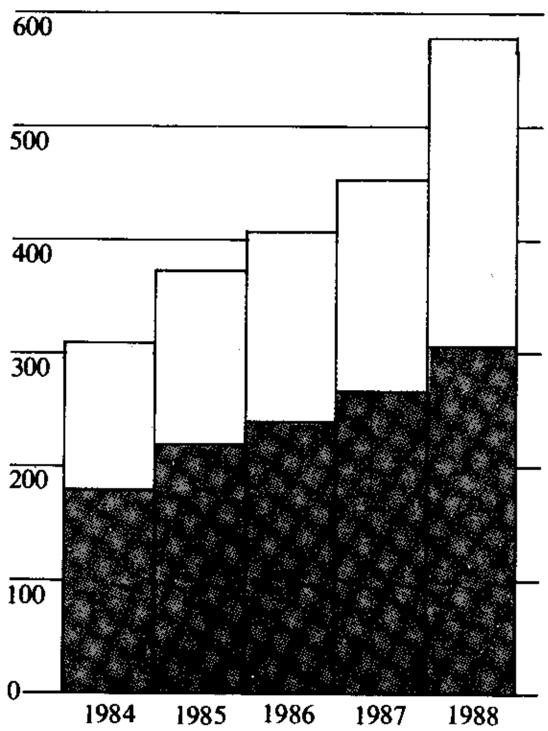
Premium Income (Million of Shillings)



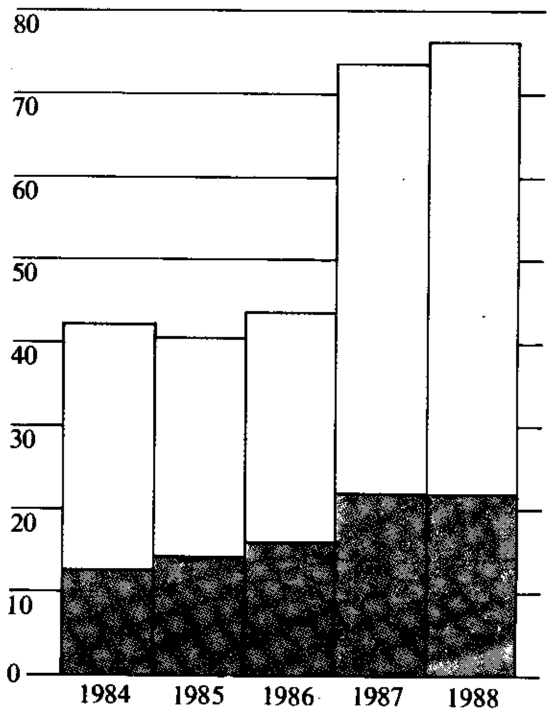
Short-Term

Long-Term

Total Net Assets (Million of Shillings)



Claims Incurred (Million of Shillings)



Report of the Directors

The Directors have pleasure in submitting their report and the audited accounts for the year ended 31st December, 1988.

PRINCIPAL ACTIVITIES

The principal activities of the Company during 1988 were the transaction of all classes of Insurance Business.

RESULTS

The results for the year and the appropriation thereof are set out in the profit and loss account.

DIVIDENDS

An interim dividend of 15% on the paid up share capital of Shs.30 million was paid on 13 December, 1988. The Directors recommend the payment of the final dividend of 20%. The payment of interim and final dividends in respect of non-resident Shareholders is subject to Exchange Control approval.

BONUS ISSUE

Subject to the necessary consents being obtained, the Directors recommend that the share premium account and/or a part of the retained profits to the total value of Shs.20 million be capitalised and be applied towards the issue to the Members of bonus shares in the proportion of two new ordinary shares for every three ordinary shares held. The bonus issue will not be eligible for the 1988 final dividend.

EMPLOYEES

The number of persons employed in Kenya by the Company in 1988 was 275.

DIRECTORS

The names of the Directors who served during the year are set out on page 5. In accordance with Article 85 of the Company's Articles of Association the following Directors retire by rotation:-

Mr. J.M. Mugwe
Mr. S.H. Tejpar
Mr. I.H. Kassam

Messrs J.M. Mugwe, S.H. Tejpar and I.H. Kassam being eligible, offer themselves for re-election.

AUDITORS

A resolution will be proposed at the Annual General Meeting to re-appoint Messrs. Coopers & Lybrand as auditors of the Company, at a remuneration to be fixed by the Directors.

STAFF

The Directors wish to thank the Management, members of staff, producers and representatives, both in Kenya and overseas, for services rendered during the year.

On behalf of the Board

Abdul Karim C. Popat	Nairobi, Kenya
Director	26th May, 1989

Report of the Auditors to the Members of The Jubilee Insurance Company Limited

We have audited the accounts set out on pages 14 to 25. The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain of the Company's assets, and are in agreement with the books which have been properly kept. We obtained the information and explanations we required.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31st December, 1988 and of its profit and source and application of funds for the year then ended and comply with the Companies Act (Cap. 486).

Coopers & Lybrand
Certified Public Accountants of Kenya

Nairobi, Kenya.
26th May, 1989

Profit and Loss Account for the year ended 31st December, 1988

	Note	1988 Shs.	1987 Shs.
INCOME			
Profit transferred from Life Fund	6	**14,862,280**	13,019,432
Investment Income		**32,470,499**	27,529,011
Total Income		**47,332,779**	40,548,443
OUTGO			
Loss transferred from Revenue Accounts		**3,856,479**	6,954,730
Management Expenses not charged to other accounts		**658,265**	92,951
Depreciation		**1,605,447**	1,346,368
Bad Debts		**420,727**	175,555
Total Outgo		**6,540,918**	8,569,604
Profit before taxation	8	**40,791,861**	31,978,839
Provision for taxation	9	**11,354,000**	8,301,000
Profit after taxation		**29,437,861**	23,677,839
APPROPRIATION			
Unappropriated profit brought forward		**28,567,927**	25,390,088
Profit after taxation		**29,437,861**	23,677,839
Total amount of profit available for appropriation		**58,005,788**	49,067,927
Dividends — proposed 35% (1987 — 35%)		**10,500,000**	10,500,000
Bonus Issue		—	10,000,000
Unappropriated profit carried forward		**47,505,788**	28,567,927
Earnings per share	11	**4.90**	3.95

Report of the auditors — page 13
The notes on pages 21 to 25 form part of these accounts.

Life Revenue Account for the year ended 31st December 1988

Class of Insurance Business	Note	Ordinary Life Shs.	Super-annuation Shs.	**1988 Total Shs.**	1987 Total Shs.
Net Premium		21,326,406	12,674,791	**34,001,197**	30,536,853
Claims paid & outstanding —					
— Death		2,054,698	1,386,146	**3,440,844**	2,894,321
— Maturity		11,391,664	—	**11,391,664**	12,515,445
Total Claims		13,446,362	1,386,146	**14,832,508**	15,409,766
Surrenders (including surrender of bonus).		3,177,483	3,298,535	**6,476,018**	6,149,817
Commissions		1,267,211	47,685	**1,314,896**	1,604,616
Total Claims, surrenders and commissions		17,891,056	4,732,366	**22,623,422**	23,164,199
Expenses of Management		14,437,453	2,534,958	**16,972,411**	15,078,555
Provision for Taxation	9	4,484,449	209,834	**4,694,283**	3,850,000
Loss (profit) on exchange		165,668	—	**165,668**	(1,119,347)
		19,087,570	2,744,792	**21,832,362**	17,809,208
Investment Income		27,729,197	3,422,816	**31,152,013**	28,519,666
Investment Expenses		2,942,966	363,271	**3,306,237**	2,851,697
Net investment income		24,786,231	3,059,545	**27,845,776**	25,667,969
Increase in Funds	7	9,134,011	8,257,178	**17,391,189**	15,231,415
Increase in market value of investments . .		37,020,208	4,569,674	**41,589,882**	26,916,906
Transfer to Profit and Loss Account	6	(14,478,199)	(384,081)	**(14,862,280)**	(13,019,432)
Funds at the beginning of the year		249,182,930	24,448,963	**273,631,893**	244,503,004
Funds at the end of the year		280,858,950	36,891,734	**317,750,684**	273,631,893

Report of the auditors — page 13
The notes on pages 21 to 25 form part of these accounts

Class of insurance business	Engineering Shs.	Fire-Domestic Shs.	Fire-Industrial Shs.
Net premiums written	349,412	4,150,142	7,671,997
Unearned premiums brought forward	36,797	1,049,842	2,123,969
Unearned premiums carried forward	82,220	2,306,051	2,718,678
Net earned premiums	303,989	2,893,933	7,077,288
Claims paid	127,686	644,772	2,622,602
Amount of claims outstanding at the end of the year	714,518	684,559	4,435,479
Amount of claims outstanding at the beginning of the year	268,428	409,437	4,064,138
Total claims incurred	573,776	919,894	2,993,943
Commissions	(122,516)	(429,336)	(22,516)
Expenses of management	183,184	664,583	3,273,853
Total expenses	60,668	235,247	3,251,337
Balance being underwriting profit or (loss)	(330,455)	1,738,792	832,008

Report of the auditors — page 13
The notes on pages 21 to 25 form part of these accounts

Liability Shs.	Marine Shs.	Motor Private Shs.	Motor Commercial Shs.	Personal Accident Shs.	Theft Shs.	Workmen's Compensation Shs.	Miscellaneous Shs.	**1988 Total Shs.**	1987 Total Shs.
1,489,436	3,057,775	25,634,564	9,041,567	5,853,339	4,834,716	8,103,030	900,933	**71,086,911**	61,049,493
540,711	1,098,024	9,181,052	4,100,688	1,785,933	1,549,526	998,947	420,818	**22,886,307**	21,483,392
779,946	1,791,083	11,171,115	5,472,120	1,807,107	2,252,452	2,935,828	503,709	**31,820,309**	22,886,307
1,250,201	2,364,716	23,644,501	7,670,135	5,832,165	4,131,790	6,166,149	818,042	**62,152,909**	59,646,578
(36,357)	198,284	16,614,410	3,387,050	4,087,191	2,717,304	2,586,622	746,864	**33,696,428**	36,136,410
1,987,971	1,808,682	29,850,564	37,726,029	1,088,026	1,897,451	6,502,102	7,874,925	**94,570,306**	73,314,369
1,348,398	2,632,404	23,506,267	25,949,039	986,797	2,453,780	3,935,631	7,760,050	**73,314,369**	57,198,988
603,216	(625,438)	22,958,707	15,164,040	4,188,420	2,160,975	5,153,093	861,739	**54,952,365**	52,251,791
25,810	(1,279,247)	213,514	(2,410,031)	(483,506)	(1,075,710)	296,172	(327,028)	**(5,614,394)**	610,418
316,946	1,456,368	4,444,515	2,381,000	1,022,262	1,186,735	1,460,573	281,397	**16,671,417**	13,739,099
342,756	177,121	4,658,029	(29,031)	538,756	111,025	1,756,745	(45,631)	**11,057,023**	14,349,517
304,229	2,813,033	(3,972,235)	(7,464,874)	1,104,989	1,859,790	(743,689)	1,934	**(3,856,479)**	(6,954,730)

Balance Sheet as at 31st December, 1988

	Note	Short-Term Business Shs.	Long-Term Business Shs.	**1988 Shs.**	1987 Shs.
Share Capital Authorised and Issued					
Nominal Share Capital	2	50,000,000		**50,000,000**	50,000,000
Less Nominal value of unissued shares		(20,000,000)	—	**(20,000,000)**	(20,000,000)
Nominal value of issued shares		30,000,000	—	**30,000,000**	30,000,000
Share Capital Paid-up	2	30,000,000	—	**30,000,000**	30,000,000
Reserves					
Not distributable	3				
Capital		157,564,640	—	**157,564,640**	108,908,305
Distributable	3				
General		20,000,000	—	**20,000,000**	20,000,000
Unappropriated profit		47,505,788	—	**47,505,788**	28,567,927
Other					
Share Premium		6,589,476	—	**6,589,476**	6,589,476
Life Funds		—	317,750,684	**317,750,684**	273,631,893
Total Reserves and Life Funds		231,659,904	317,750,684	**549,410,588**	437,697,601
Total of Paid-up Capital and Reserves/ Life Funds		261,659,904	317,750,684	**579,410,588**	467,697,601
Represented by:-					
ASSETS					
Fixed Assets	4				
Motor vehicles		2,355,225	2,355,224	**4,710,449**	3,924,384
Less accumulated depreciation		1,079,828	1,079,827	**2,159,655**	1,689,582
		1,275,397	1,275,397	**2,550,794**	2,234,802
Computer equipment		3,982,407	3,982,407	**7,964,814**	6,286,018
Less accumulated depreciation		2,723,068	2,723,068	**5,446,136**	3,916,794
		1,259,339	1,259,339	**2,518,678**	2,369,224
Furniture, Fixtures, Fittings & Office Equipment		3,335,017	3,335,017	**6,670,034**	6,194,830
Less accumulated depreciation		2,577,102	2,577,102	**5,154,204**	4,343,322
		757,915	757,915	**1,515,830**	1,851,508
Total Fixed Assets		3,292,651	3,292,651	**6,585,302**	6,455,534

Continued on page 19

The accounts were approved by the Board on 1st April 1989

Abdul M. Jaffer
Director

Abdul Karim C. Popat
Director

	Note	Short-Term Business Shs.	Long-Term Business Shs.	**1988 Shs.**	1987 Shs.
Investments					
(i) Securities issued by					
— Government of Kenya		79,240,713	67,783,572	**147,024,285**	97,697,575
— Local Government authorities		86,370	93,570	**179,940**	179,938
		79,327,083	67,877,142	**147,204,225**	97,877,513
(ii) Other					
Ordinary Shares (Quoted on the Kenyan Stock-Exchange)		15,141,165	56,604,291	**71,745,456**	58,514,007
Ordinary Shares (unquoted)		24,965,745	—	**24,965,745**	21,151,673
Preference Shares (Quoted on the Kenyan Stock Exchange)		—	478,323	**478,323**	430,559
Loans Secured by mortgages on real property		62,280,191	41,614,448	**103,894,639**	94,127,813
Loans on life insurance policies within their surrender value		—	28,716,807	**28,716,807**	27,970,418
Deposits					
— Banks		13,591,189	3,350,063	**16,941,252**	14,606,431
— Non-bank financial institutions		39,643,391	6,706,609	**46,350,000**	32,600,000
— Building Societies		—	—	—	9,000,000
Others — Land and Buildings (in and outside Kenya)	5	181,321,477	126,111,649	**307,433,126**	225,742,170
— Other Investments outside Kenya ...		1,997,075	1,997,075	**3,994,150**	4,068,351
Total Other Investments		338,940,233	265,579,265	**604,519,498**	488,211,422
Total Investments		418,267,316	333,456,407	**751,723,723**	586,088,935
Current Assets					
Cash		3,745,716	—	**3,745,716**	2,323,598
Amounts retained and due under reinsurance contracts		24,227,940	859,219	**25,087,159**	20,757,597
Amounts due from bodies engaged in ins. business & outstanding premiums ...		21,598,326	—	**21,598,326**	10,611,757
Sundry debtors		13,140,476	4,861,707	**18,002,183**	13,422,466
Total Current Assets		62,712,458	5,720,926	**68,433,384**	47,115,418
Total Assets		484,272,425	342,469,984	**826,742,409**	639,659,887
LIABILITIES					
Underwriting Provisions					
Unearned premium provision		31,820,309	535,017	**32,355,326**	23,266,843
Outstanding claims provision		94,570,306	8,012,901	**102,583,207**	81,120,309
Total Underwriting Provisions		126,390,615	8,547,918	**134,938,533**	104,387,152
Current Liabilities					
Provisions					
— taxation		8,750,717	1,695,987	**10,446,704**	8,835,394
— dividends		21,262,929	—	**21,262,929**	21,867,525
Bank overdraft and bank loans		22,075,095	—	**22,075,095**	2,066,488
Amounts due to reinsurers (not being related bodies)		30,994,046	377,332	**31,371,378**	19,860,047
Other — Due to Agents		2,085,769	—	**2,085,769**	2,992,813
Sundry creditors		11,053,350	14,098,063	**25,151,413**	11,952,867
Total Current Liabilities		96,221,906	16,171,382	**112,393,288**	67,575,134
Total Liabilities		222,612,521	24,719,300	**247,331,821**	171,962,286
		261,659,904	317,750,684	**579,410,588**	467,697,601

Report of the auditors — page 13
The notes on pages 21 to 25 form part of these accounts

Statement of Source and Application of Funds
Short-Term Business

	1988 Shs.	1987 Shs.
SOURCE OF FUNDS		
Profit before taxation	**40,791,861**	31,978,839
Adjustments in respect of:		
Profit on sale of fixed assets	**(112,050)**	(220,250)
Insurance funds and claims outstanding	**30,189,939**	17,518,292
Depreciation	**1,605,447**	1,346,368
Total generated from operations	**72,475,197**	50,623,249
Funds from other sources		
Decrease in agents balances and other debtors	—	10,360,232
Sale of fixed assets	**187,500**	239,000
Increase in creditors	**7,000,903**	4,797,295
	79,663,600	66,019,776
APPLICATION OF FUNDS		
Increase in agents balances and other debtors	**(9,995,480)**	—
Tax paid	**(8,352,654)**	(8,182,213)
Dividends paid	**(11,104,596)**	(5,353,392)
Fixed assets purchased	**(1,745,782)**	(2,043,959)
	48,465,088	50,440,212
Increase/(Decrease) in Investments and Net Liquid Funds		
Increase/(Decrease) in investments outside Kenya	**(17,734)**	2,014,809
Increase in government securities	**32,435,877**	46,891,206
Increase/(Decrease) in mortgages and loans	**13,152,654**	(6,395,865)
Increase in freehold and leasehold properties	**7,205,286**	4,350,940
Increase/(Decrease) in stocks and shares	**3,483,988**	(44,768)
Increase/(Decrease) in bank and cash balances	**(7,794,983)**	3,623,890
	48,465,088	50,440,212

Report of the auditors — page 13
The notes on pages 21 to 25 form part of these accounts

1. Principal Accounting Policies
The following is a summary of the more important accounting policies used:

(a) *Underwriting results*

(i) Short-term business
The short-term insurance underwriting results are determined after taking into account, inter alia, unearned premiums, nutstanding claims and where applicable, portfolio transfers.

Unearned premiums represent that portion of the premiums written in periods up to the accounting date which are attributable to subsequent accounting periods and are determined as follows:-

Direct Business:
All Classes: on the 24th's basis.
Reinsurance treaties: as contained in the treaty contracts

Outstanding claims represent claims arising from incidents occuring prior to the accounting date and are computed on the basis of the best information available at the time the records for the year are closed.

(ii) Long-term business

Actuarial investigation
In accordance with Section 57 of the Insurance Act 1984, the Board of Directors may, at their discretion, cause every year an investigation by an Actuary to be made into the financial condition in respect of the long term business of the company but, in any event, such investigation shall take place at least every three years, in accordance with the provision of the said Act.

Surpluses arising are allocated by the directors with the advice of the Actuary and in accordance with the Articles of Association to policyholders' bonuses and to the profit and loss account. Any balance remaining is carried forward in the fund.

Premium income
The premium income is accounted for on a receipts basis.

(b) *Investment income*

Investment income which is net of management expenses, comprises interest and rent receivable for the year and dividends which are accounted for when declared. Rent is stated after deducting charges and expenses related to the properties concerned.

(c) *Sale of investments*

(i) Profits or losses resulting from the sale of investments are credited or charged to the profit and loss account in the year in which the sale takes place, after releasing such amounts as are reflected in the capital reserve account relating to such investments.

(ii) Any surplus over cost which arises as a result of transfer of assets between short term and long term business is taken to capital reserve in case of short term business and to the life fund in case of long term business.

(d) *Expenses and commission*

Expenses and commission are allocated to the relevant revenue accounts as incurred in the management of each class of business. Commission is shown net of commission received in respect of reinsurance business ceded. Certain expenses of the short-term business being depreciation, provision for doubtful debts and directors' fees are not allocated but are charged directly to the profit and loss accounts.

(e) *Investments*

(i) Investments in the balance sheet of both long and short-term business are generally stated at the following values:-

– Securities issued by the Government of Kenya – at cost plus adjustment of the discount at the effective rate of interest at the time of purchase.

– Securities issued by Local Government Authorities — at market values.

– Ordinary Shares (Quoted on the Kenyan Stock Exchange) — at market values.

– Ordinary Shares (Unquoted) — at the lower of cost or directors' valuation.

– Preference Shares (Quoted on the Kenyan Stock Exchange) — at market values.

– Loans Secured by mortgages on real property — at redemption values.

– Loan on life insurance policies within their surrender values — at redemption values.

– Land and Buildings — at revalued amounts based on professional valuations carried out at intervals of not more than five years except in the event of any material change in the intervening period when the properties are revalued at the time at the discretion of the directors. Additions in the intervening period are included at cost.

(*ii*) Unrealised gains arising from the aggregate valuation within each of the five classes of investments set out above are credited to the Capital Reserve in respect of short-term business and to the Life Fund in respect of long-term business. Unrealised losses are charged firstly against any accumulated unrealised gains for that class of investment and then any excess loss is charged to the profit and loss account for short-term business or the life revenue account for long term business.

(f) *Fixed Assets*

Fixed assets are stated at cost less depreciation which is calculated to write off the cost on a straight line basis over the expected useful lives of the assets concerned. The annual rates used for this purpose are:-

	%
Motor vehicles	20
Computer equipment	25
Furniture, Fixtures, Fittings and office equipment	10

(g) *Foreign currencies*

Assets and liabilities expressed in foreign currencies are translated to Kenya Shillings at the rates of exchange ruling at the year end. Differences arising on translation are charged to the profit and loss account in respect of short-term business and to the life revenue account in respect of long-term business.

(h) *Deferred taxation*

Provision is made at the rate ruling at the year end for any deferred taxation liability arising, except in respect of taxation arising on timing differences which can reasonably be expected to be deferred for the foreseeable future.

2. Share Capital

	1988 Shs.	1987 Shs.
Ordinary shares of Shs. 5 each		
Authorised	**50,000,000**	50,000,000
Issued and fully paid	**30,000,000**	30,000,000

3. Reserves

	1988 Shs.	1987 Shs.
(i) Not distributable:		
Capital Reserve		
1st January	**108,908,305**	90,152,475
Surplus on revaluation of properties	**45,486,119**	17,600,000
Increase in market value of stocks & shares	**3,170,216**	1,155,830
31st December	**157,564,640**	108,908,305

(ii) Distributable:	General Reserves Shs.	Unappropriated Profits Shs.	1988 Total Shs.	1987 Total Shs.
1st January	20,000,000	28,567,927	**48,567,927**	45,390,088
Retained profit for the year	—	18,937,861	**18,937,861**	13,177,839
Issue of Bonus share	—	—	—	(10,000,000)
31st December	20,000,000	47,505,788	**67,505,788**	48,567,927

4. Fixed Assets

	Motor Vehicles Shs.	Computer Equipment Shs.	Furniture, Fixtures, Fittings & Office Equipment Shs.	Total Shs.
Cost:				
1st January 1988	3,924,384	6,286,018	6,194,830	16,405,232
Additions	1,337,565	1,678,796	475,204	3,491,565
Disposals	(551,500)	—	—	(551,500)
31st December 1988	**4,710,449**	**7,964,814**	**6,670,034**	**19,345,297**
Depreciation:				
1st January 1988	1,689,582	3,916,794	4,343,322	9,949,698
Charge for the year	870,673	1,529,342	810,882	3,210,897
Disposals	(400,600)	—	—	(400,600)
31st December 1988	**2,159,655**	**5,446,136**	**5,154,204**	**12,759,995**
Net book value:				
31st December 1988	**2,550,794**	**2,518,678**	**1,515,830**	**6,585,302**
31st December 1987	2,234,802	2,369,224	1,851,508	6,455,534

5. Land and Buildings

The teritorial split of Freehold and Leasehold properties is as follows:

	Short-term Business Shs.	Long-term Business Shs.	**1988 Shs.**	1987 Shs.
Kenya	168,356,196	122,000,000	**290,356,196**	208,665,240
Uganda	12,965,281	4,111,649	**17,076,930**	17,076,930
	181,321,477	126,111,649	**307,433,126**	225,742,170

The valuation of freehold and leasehold properties situated in Kenya was carried out by professional independent valuers at 31st December, 1988. The basis of the valuation was market value. Leasehold properties which are situated in Uganda were revalued by professional independent valuers at 31st December, 1981 on the basis of open market value and translated to Kenya shillings at the exchange rates then preveiling. No update to the 1981 valuation has been reflected in these accounts as no meaningful valuation for these properties is available in view of the circumstances currently prevailing in that country. In the opinion of the directors the properties are worth at least the amounts at which they are included in these accounts.

6. Transfer from Life Revenue Account to Profit and Loss Account

An Actuarial valuation of the Life Fund was carried out by the company's Actuary as at 31 December 1988. For the purpose of the valuation, the Life Fund has been segregated into a Kenyan and a non-Kenyan Fund and the shareholders' profit of Shs. 14,862,280 shown in the life revenue account is the amount recommended by the Actuary to be transferred to profit and loss account. This is made up of a surplus on the Kenyan Fund of Shs. 14,212,052 and a surplus on the non Kenyan Fund of Shs. 650,228. The transfer of the surplus on the non-Kenyan Fund has been made by a transfer of corresponding non Kenyan assets of that value.

7. Life Revenue Account

	1988 Total Shs.	1987 Total Shs.
The surplus is stated after charging:		
Depreciation	**1,605,448**	1,346,368
Auditors' remuneration	**268,500**	275,000
and after crediting:		
Income from:		
Government securities	**4,019,441**	2,683,603
Quoted shares	**4,241,777**	3,133,823
Net rent from properties	**8,570,638**	6,826,672

8. Profit Before Taxation

	1988 Total Shs.	1987 Total Shs.
The profit is stated after charging:		
Depreciation	**1,605,447**	1,346,368
Auditors' remuneration	**268,500**	275,000
and after crediting:		
Income from:		
Unquoted shares	**1,013,164**	871,296
Quoted shares	**1,526,870**	848,509
Net rent from properties	**6,309,018**	7,801,068
Government securities	**12,889,251**	2,120,193

9. Taxation:

	Short-term Shs.	Long-term Shs.	**1988 Total Shs.**	1987 Total Shs.
On the results of the year	11,354,000	4,694,283	**16,048,283**	12,151,000

10. Emoluments of Directors and Pensions paid to past Directors

	1988		1987	
	As directors Shs.	**For Management Shs.**	As directors Shs.	For Management Shs.
Emoluments	**123,400**	**515,340**	120,000	583,640
Pensions	**57,000**	—	36,000	—
	180,400	**515,340**	156,000	583,640

11. Earnings per Share

Earnings per ordinary share of Shs. 5 each are calculated by reference to the profit available for distribution.

12. Assets outside Kenya

The Company has net assets outside Kenya amount to Shs. 35,630,288 (1987: Shs. 32,600,513), some of which are deposited under local laws as security to policyholders in the countries concerned. Most of these assets, if realised, cannot be remitted to Kenya without the approval of the Exchange Control Authority of the countries concerned.

13. Mortgages and Loans

	1988 Shs.	1987 Shs.
Amount approved by the Directors but not advanced by 31st December		
Long-term business	**4,826,516**	6,369,000
Short-term business	**26,080,000**	26,900,166
	30,906,516	33,269,166

14. Nil Balances

Those Balance Sheet items appearing on Form INS 54-5 of the 3rd Schedule of the Insurance Regulations 1986 not included in these Accounts have nil balances.

Report of the auditors — page 13

Company Review — Ten Years Development

Kenya Shillings Million

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
Shareholders Fund	44	59	67	101	106	122	155	162	194	262
Life Fund	96	122	132	163	173	185	223	245	274	318
Total Assets	204	262	286	363	397	442	512	548	640	826
Total Investment Income	18	22	27	32	38	41	45	48	53	61
Pre-tax Profit (including transfer from Life Account)	5.6	12	17	17	18	20	28	30	32	41
After-tax Profit	3.1	6.6	10	10	10	11	19	22	24	29
***Dividends to Shareholders**	1.5	2.1	2.8	5.6	5.6	7.0	7.0	7.0	10.5	10.5
Dividend Cover — Ratio	2.07	3.14	3.57	1.79	1.79	1.57	2.71	3.1	2.26	2.80
****Earnings Per Shs.5 Share — Adjusted — Shs.**	0.96	2.07	3.20	3.26	3.26	3.08	4.83	5.45	3.95	4.90

Note

** The Dividend to Shareholders of Shs.7 million in 1986 does not include the Golden Jubilee Special Dividend of Shs.7 million.*

*** Earnings per Share has been calculated on 3.2 million shares for the years 1979 to 1983. In 1984 the number of shares increased to 4.0 million by a public issue of new shares and, in 1987, the number increased to 6.0 million by a bonus issue.*

The Jubilee Insurance Company Limited

Incorporated in Kenya, Established 1937

Proxy

I/We ....

of ....

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

....

of ....

and failing him, ...

of ....

and failing him, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 30th day of June, 1989 at 10.00 a.m. and at any adjournment thereof.

As witnessed my/our hand this .... day of .... 1989.

....

Member

Important Notes:

1. If you are unable to attend this meeting personally, this Form of Proxy should be completed and returned to The Company Secretary, P.O. Box 30376, Nairobi, so as to reach him not later than 48 hours before the time appointed for holding the meeting.
2. A person appointed to act as a proxy need not be a member of the Company.
3. If the appointer is a Corporation this Form of Proxy must be executed under Seal or under the hand of an Officer or Attorney duly authorised in writing in that behalf.

The Jubilee Insurance Company Limited

Incorporated in Kenya, Established 1937

Uwakilishi

Mimi/Sisi ....

wa ....

kama mwanachama/wanachama wa The Jubilee Insurance Company Limited, nateua/twateua

....

wa ....

na akikosa ....

wa ....

na akikosa, Mwenyekiti wa mkutano kama mwakilishi wangu/wetu kupigia kura na kwa niaba yangu/yetu katika Mkutano Mkuu wa Mwaka wa Kampuni utakaofanywa Juni 30, 1989 saa Nne asubuhi na wakati wo wote ambapo utaahirishwa.

Ni thibitisho langu/letu .... siku hii ya .... 1989.

....

Mwanachama

Maelezo Muhimu:

1. Ikiwa hauwezi kuhudhuria mkutano huu binafsi, Fomu hii ya Uwakilishi inapasa kujazwa na kurudishiwa Katibu wa Kampuni, S.L.P. 30376, Nairobi, ili kumfikia katika muda wa masaa 48 kabla ya wakati uliopangiwa mkutano kufanywa.
2. Mtu aliyeteuliwa kuwa mwakilishi hapasi kuwa mwanachama wa Kampuni hii.
3. Kama mteuaji ni Shirika, Fomu hii ya Uwakilishi ni lazima itumwe chini ya Muhuri ama wakala ya Afisa ama Wakili aliyeidhinishwa sawasawa na barua kwa ajili hiyo.