

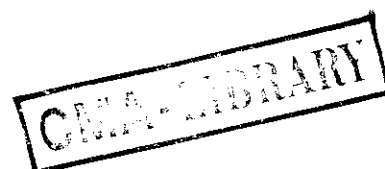
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GROUP INFORMATION

CAPITAL AND RESERVES

	Shs '000
Authorised Capital	200,000
Issued Capital	180,000
Paid-up Capital	180,000
Reserves	1,913,796

REGISTERED OFFICE

Jubilee Insurance House
Wabera Street
P.O. Box 30376
00100 - GPO
Nairobi, Kenya
Telephone: 3208 1000
Telefax: 3208 1150
E-mail: jic@jubileekenya.com
Website: www.jubileeinsurance.com

SUBSIDIARIES

The Jubilee Investments Company Limited (75%)
Jubilee Financial Services Limited (100%)
Jubilee Insurance (Mauritius) Ltd (75.63%)
The Jubilee Insurance Company of Uganda Limited (56.25%)
The Jubilee Insurance Company of Tanzania Limited (51%)
Thillai Software Private Limited (100%)
The Jubilee Insurance Company of Kenya Limited (100%)

ASSOCIATES

Property Development and Management Limited (34.76%)
IPS Power Investment Limited (27%)
TPS Holdings Limited (21.52%)
East Africa Reinsurance Company Limited (25.83%)

BRANCHES

Mombasa:

Jubilee Insurance Building
Moi Avenue
P.O. Box 90220 - 80100
Mombasa, Kenya
Telephone: 316745, 316746 & 314019
E-mail: mombasa@jubileekenya.com

Kisumu:

Jubilee Insurance House
Opposite Clock Tower
Oginga Odinga Road
P.O. Box 378 - 40100
Kisumu, Kenya
Telephone: 42235 & 42250
E-mail: kisumu@jubileekenya.com

ACTUARY

John Graham
FIA, FASSA

INDEPENDENT AUDITORS

PricewaterhouseCoopers

PRINCIPAL BANKERS

Diamond Trust Bank Kenya Limited
Standard Chartered Bank Kenya Limited
Citibank, N.A.
Barclays Bank PLC, Mauritius

2007/0484

Brighter Future

General Insurance

Life Insurance

Medical Insurance

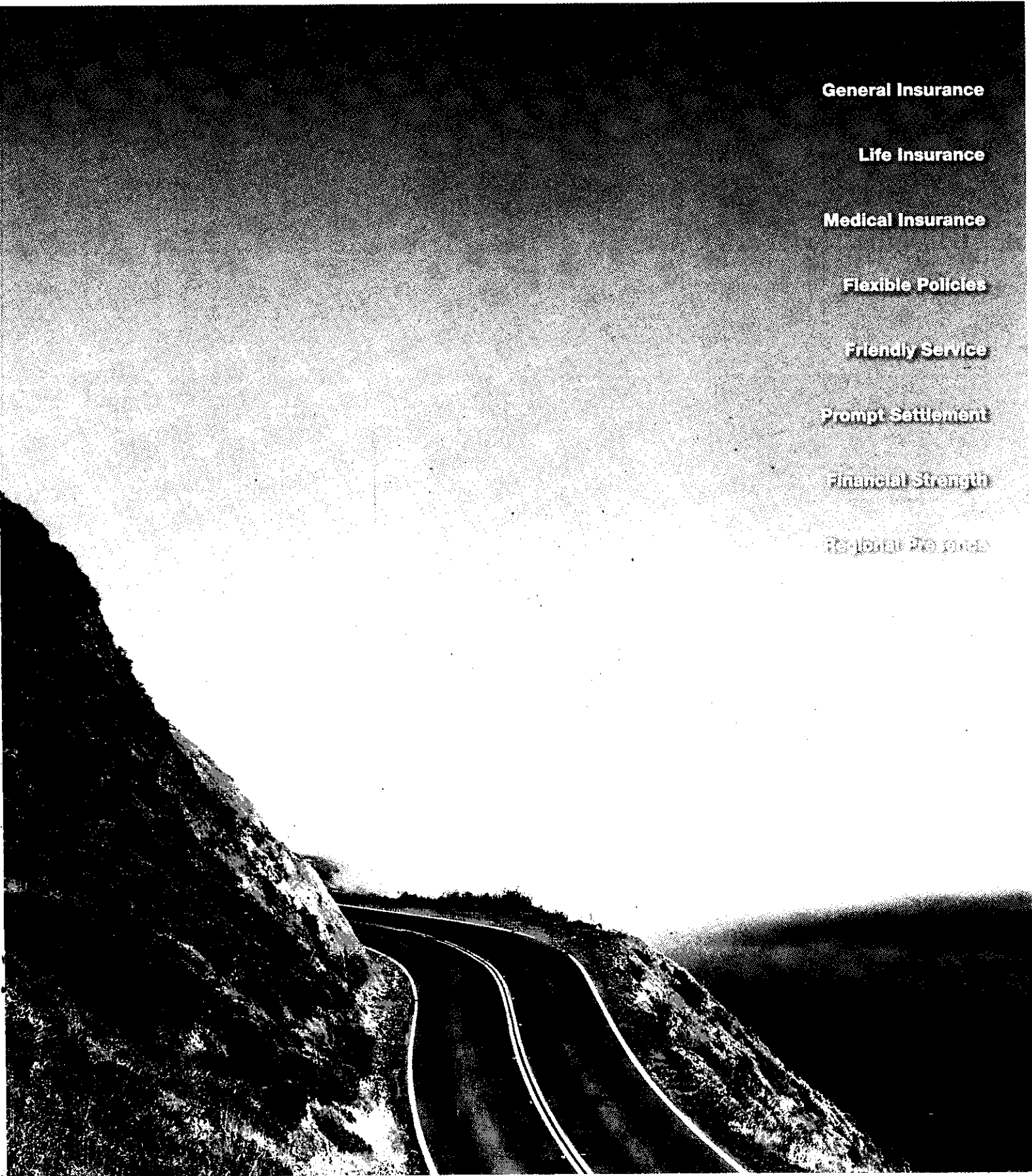
Flexible Policies

Friendly Service

Prompt Settlement

Financial Strength

Regional Offices



BOARD OF DIRECTORS



Nizar N Juma
CHAIRMAN
(APPOINTED ON 01/07/2004)



Augustine J Hatch *
(RESIGNED ON 30/06/2004)



Zulfikar K Mohamed **
MANAGING DIRECTOR & C E D



Amin M Datoo
TECHNICAL DIRECTOR



John D Harris ***



Sultan K Khimji



Frederic A Lucien ****

BOARD OF DIRECTORS



Joseph M Mugwe



Tom D Owuor



Salim A Talib



Margaret M Kipchumba
COMPANY SECRETARY

Key

■ Audit and Compliance Committee

■ Finance Committee

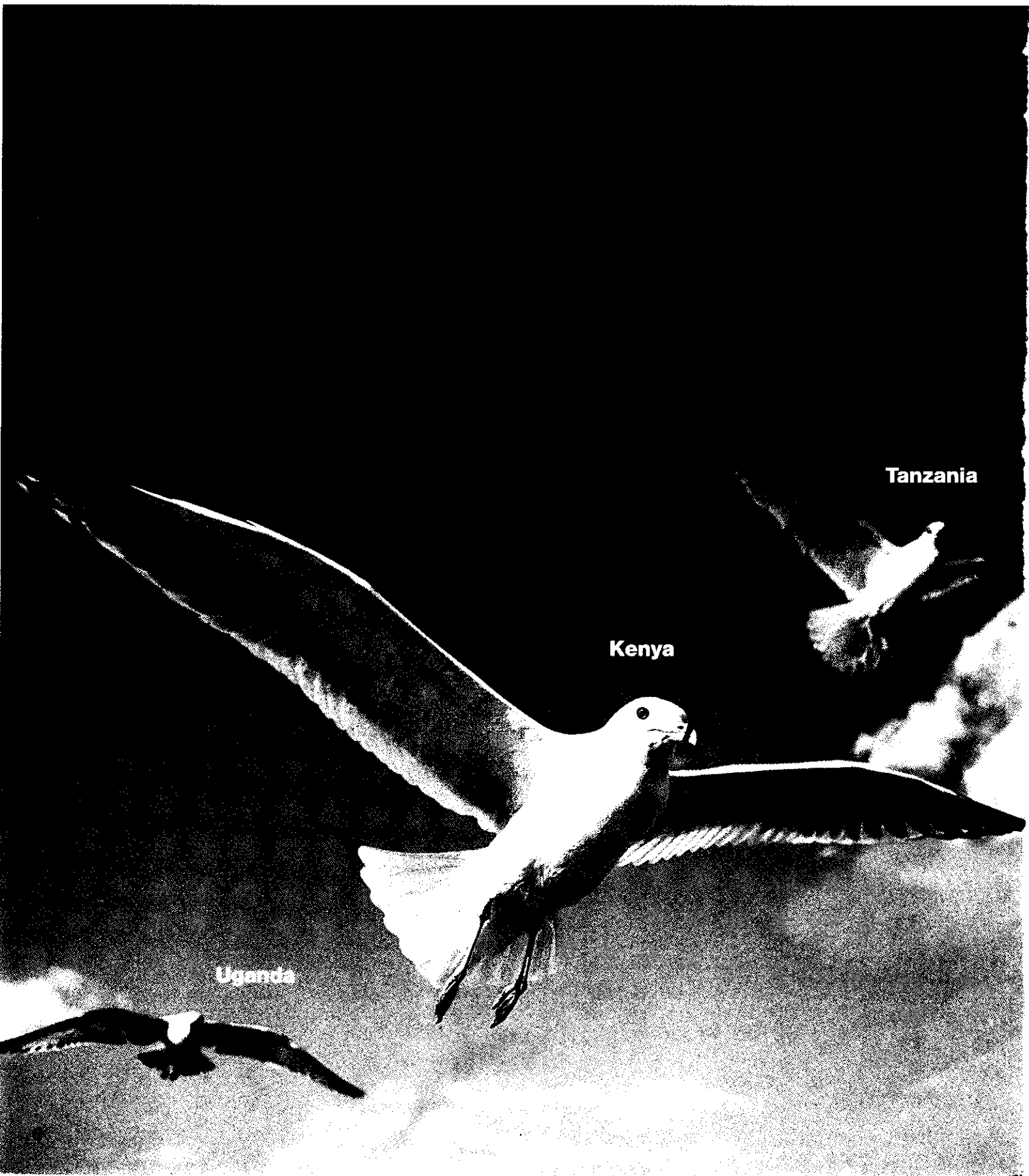
● IT Steering Committee

▲ Nominating & Senior Management
Remuneration Committee

▲ Strategy Review Committee

* Irish ** Canadian ***British ****French

Regional Presence



Tanzania

Kenya

Uganda

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the Sixty-Seventh Annual General Meeting of the Shareholders will be held at the Nairobi Serena Hotel, Kenyatta Avenue, on Tuesday, 21st June, 2005 at 10.30 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, 2004, the Report of the Directors and the Report of the Independent Auditors thereon.
2. To confirm the payment of the interim dividend of 15% made on 19th October, 2004 and approve the payment of a final dividend of 35% on the issued and paid-up capital of the Company on or about 11th July, 2005 to the Shareholders registered as at 21st June, 2005.
3. To elect the following Directors who retire by rotation and being eligible, offer themselves for re-election:

Mr Sultan K Khimji
Mr Frederic A Lucien

Mr Nizar N Juma retires in accordance with Article 90 of the Company's Articles of Association, and being eligible, offers himself for re-election.

4. To fix the Directors' remuneration.
5. To authorise the Directors to fix the Independent Auditors' remuneration.

By order of the Board

Margaret Muhuni-Kipchumba
Company Secretary
Nairobi, Kenya
13th April, 2005

CHAIRMAN'S STATEMENT



Dear Shareholders,

It is with a sense of pride and achievement that I review the 2004 results of your Company which for a third consecutive year recorded the highest profits in its history. It gives me great pleasure, therefore, to present the annual report and accounts for the year ended 31st December, 2004.

ECONOMY

Gross Domestic Product (GDP) recorded 2.6% growth in 2004 up from 1.8% in 2003. Resumption of donor funding during the year and strong growth in tourism, horticulture, tea and textile industries boosted the growth of the economy.

FINANCIAL PERFORMANCE

The Group Profit Before Tax increased by 14.6% in 2004 to reach Shs 358.9 million (2003: Shs 313.2 million) despite the adverse underwriting results. Your Company's solid investment performance was founded on prudent long term investment strategy and opportunistic trading gains realised from stock market operations.

The subsidiary insurance companies in Uganda and Tanzania continued to perform well. The strategic decision to cease underwriting insurance business in Mauritius and focus on our core operations in East Africa was implemented in June 2004.

I am glad to report that your Board has recommended increased dividend payout for the second consecutive year of 50% (2003: 45% and 2002: 35%). An interim dividend of 15% (Shs 0.75 per share) was paid on 19th October, 2004. The Board is seeking your approval for a final dividend of 35% (Shs 1.75 per share).

GENERAL INSURANCE PERFORMANCE

The consolidated gross premium written exceeded the Shs 2 billion mark to reach Shs 2,010.4 million (2003: Shs 1,749.4 million). The robust growth of motor and medical business were the primary contributors to this 14.9% increase.

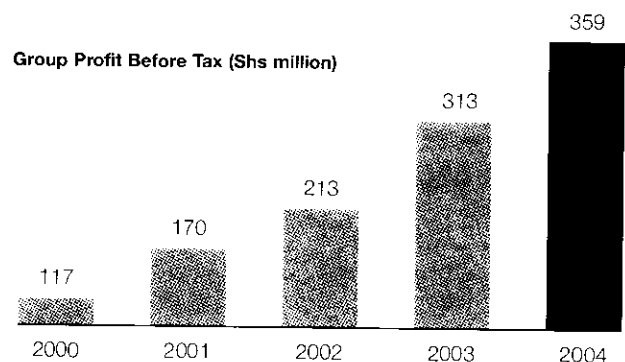
Continuing adverse security conditions and deteriorating infrastructure across the country resulted in increased frequency of carjackings, burglary and accident related losses. In addition, higher reinsurance cost and loss severity negatively impacted fire underwriting performance. The Group's underwriting results were therefore adversely affected by these market forces in Kenya and losses in Mauritius. The subsidiary insurance companies in Uganda and Tanzania continued their prior year trend to register underwriting profits. The 2004 consolidated underwriting loss was Shs 17.8 million compared to a profit of Shs 33.5 million in 2003.

LIFE INSURANCE PERFORMANCE

Funds under the Long-Term business and deposit administration contracts crossed the Shs 4 billion mark. The total 2004 premium written and deposit administration inflows was Shs 1,006.6 million (2003: Shs 686.5 million). The growth in business is due to increased contributions from deposit administration and sale of post retirement annuity contracts.

Your Company declared a net rate of 9.5% to be credited on Retirement Benefit Funds. This rate, we believe, will once again be one of the highest among leading insurers.

The profit from the Long-Term business increased from Shs 40.1 million in 2003 to Shs 58.9 million in 2004.



CHAIRMAN'S STATEMENT

(CONTINUED)

CORPORATE RESTRUCTURING

The restructuring of your Company was unanimously approved at the Extraordinary General Meeting held on 9th March, 2005. This entails the transfer of the life and general insurance business together with the assets and liabilities relating to the insurance business to The Jubilee Insurance Company of Kenya Limited, a wholly owned subsidiary and changing your Company's name to Jubilee Holdings Limited. We have completed the necessary regulatory formalities and are awaiting the gazetterment of the approval by the Minister for Finance for transfer of insurance business.

BOARD

The composition of your Board of Directors remained the same with the exception of the resignation of Mr Augustine J Hatch as Chairman and my appointment in his place. You will recall that at the last Annual General Meeting, Mr Hatch informed Shareholders that after five successful years at the helm of the Group, he had decided to step down as Chairman and Director. On behalf of the Board, the Boards of the subsidiary companies and the management team throughout the region, I would like to register my appreciation to Mr Hatch for his professionalism and invaluable service in steering the Group to great heights. We wish him every success in all his future endeavours.

OUTLOOK

The various customer focused initiatives rolled out since the last quarter of 2004 are bearing results with higher premiums being registered to date in Kenya, Uganda and Tanzania. Data warehousing, information technology infrastructure, client relationship management, systems documentation, introduction of new products and management development programs are some of the areas that will receive ongoing management attention during 2005. I am confident that with our growing organisational capabilities and quest for greater client satisfaction and security, the Group will undoubtedly improve its overall performance further in 2005.

APPRECIATION

In conclusion, on behalf of the Board and Shareholders, I would like to thank the management and staff of your Company and its subsidiaries for their hard work and consistency that has produced excellent results for the third consecutive year. I would also like to extend my appreciation to all intermediaries and customers for their continued support and patronage and assure them of our commitment to nurture this mutually beneficial partnership. Last but not least, I thank all my colleagues on the Board who have participated fully in decision making and whose support and guidance I rely on to steer your Company to greater heights.

Nizar N Juma

Chairman

13th April, 2005



REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31st December, 2004 which disclose the state of affairs of the Company and the Group.

COUNTRY OF INCORPORATION

The Company is incorporated in the Republic of Kenya under the Companies Act and is domiciled in Kenya.

PRINCIPAL ACTIVITIES

The Company transacts all classes of insurance business.

RESULTS

The Group returned record profits during the year. The following is the summary of results for the year 2004:

	Shs'000
Group profit before tax	358,882
Tax	82,296
Group profit after tax	276,586
Minority interest	35,941
Profit attributable to Shareholders	240,645

DIVIDEND

An interim dividend of Shs 0.75 per share amounting to Shs 27 million (2003: Shs 18 million) was paid to Shareholders on 19th October, 2004. The Directors recommend a final dividend of Shs 1.75 per share amounting to Shs 63 million (2003: Shs 63 million) for approval by the Shareholders. The total dividend for the year represents 50% (2003: 45%) of the issued share capital as at 31st December, 2004.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including loss risk (claims), credit risk and the effects of changes in equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the acceptable level of loss risk and the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance within the options available in Kenya to hedge against such risks. The Group has policies in place to ensure that insurance is sold to customers with appropriate claim and credit history.

DIRECTORS

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

Nizar N Juma (Chairman) (Appointed on 01/07/2004)

Augustine J Hatch* (Chairman) (Resigned on 30/06/2004)

Zulfikar K Mohamed **

Amin M Dattoo

John D Harris***

Sultan K Khimji

Frederic A Lucien ****

Joseph M Mugwe

Tom D Owuor

Salim A Tailib

* Irish ** Canadian *** British **** French

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

Mr Sultan K Khimji

Mr Frederic A Lucien

In accordance with Article 90 of the Company's Articles of Association, Mr Nizar N Juma retires and being eligible, offers himself for re-election.

AUDITORS

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

On behalf of the Board

Nizar N Juma

Chairman

Nairobi, Kenya

13th April, 2005

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 or 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 Company.

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

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

Nizar N Juma
Chairman

Zulfiqar K Mohamed
Director
13th April, 2005

CORPORATE GOVERNANCE STATEMENT

Jubilee remains committed to achieving the highest standards of corporate governance in the recognition that the ethical running of corporations and the integrity of their systems and processes, are a key component in enhancing the financial performance and sustainability of those corporations as well as the economy in general. The Board of Directors therefore takes a keen interest in the implementation and reinforcement of corporate governance practices for the benefit of all stakeholders.

BOARD OF DIRECTORS

The Board of Directors comprises of 9 directors, of whom 2 are executive, Mr Zulfikar K Mohamed who is the Managing Director & CEO and Mr Amin M Datoo, the Technical Director & General Manager, Kenya. In 2004, the Board appointed a new Chairman, Mr Nizar N Juma, who is an independent non-executive Director. The roles of the Chairman and CEO are clearly defined and espouse the principle of separation of powers. The Board meets at least once every quarter with additional meetings being held as and when the need arises. Appointments to the Board are made on the recommendation of the Nominating & Senior Management Remuneration Committee, which is mandated to vet candidates for directorship and make recommendations to the Board, so as to ensure that all nominations are fair and transparent. New directors are provided with the necessary orientation in the Company's sphere of operations and business environment in order to enhance their effectiveness in strategy formation and the decision making process.

SUCCESSION PLANNING

The Board is cognisant of the critical role that succession planning plays in ensuring that the Company has, and will continue to have, capable and well-trained leadership to guide its growth. To this end, the Nominating & Senior Management Remuneration Committee has been mandated to review succession planning within the Board and strategic management positions, and make recommendations to the Board. The Board is glad to report that succession is continually being addressed.

HUMAN RESOURCE DEVELOPMENT PRACTICES

Jubilee recognises that its prime resource is its employees. It is upon their commitment and effort that the Company depends for its continuity and growth. In this respect, staff are regarded as partners. Jubilee deliberately sets out to develop its staff in planned technical and managerial skills in order to meet the high standards of performance and the rapidly increasing challenges in the insurance sector. In the year under review, through the Company's Employee Development Programme, a total of 18 employees sat and passed examinations in various disciplines including those of the Chartered Insurance Institute and Institute of Actuaries.

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) is concerned with treating the stakeholders of the Company ethically, or in a socially responsible manner. CSR encompasses responsible business practices and is premised on the fact that companies owe certain ethical, financial and social obligations to the communities within which they operate.

During 2004, Jubilee supported a number of corporate social projects including the Nairobi Hospice, in support of the terminally ill, 'Run for Life' organised by the Rotary Clubs of Nairobi to raise funds to support the activities of the Voluntary Counselling and Testing (VCT) Centre established and run by the Clubs, and the 'Save a Life Fund' coordinated by the Kenya Red Cross.

The Board is reviewing the Company's CSR programme with a view to aligning it to the strategic goals of the Company with deliberate emphasis on self-sustaining and long term development initiatives.

DIRECTORS' INTEREST IN THE SHARES OF THE COMPANY AS AT 31ST DECEMBER 2004

	Name	Number of Shares Held
1.	Mr Zulfikar K Mohamed	6,640
2.	Mr Amin M Datoo	1,098
3.	Mr Sultan K Khimji	21,591
	(including shares held by his family and company in which he has an interest)	

DISTRIBUTION OF SHAREHOLDERS AS AT 31ST DECEMBER 2004

Number of Shares	Number of Shareholders	Number of Shares Held	% Shareholding
Less than 500	688	168,801	0.47
501 – 5,000	4,096	6,790,905	18.86
5,001 – 10,000	412	2,925,361	8.13
10,001 – 100,000	311	7,193,916	19.98
100,001 – 1,000,000	14	3,574,350	9.93
Over 1,000,000	2	15,346,667	42.63
Total	5,523	36,000,000	100.00

LIST OF 10 LARGEST SHAREHOLDERS AS AT 31ST DECEMBER 2004

	Names	Number of Shares Held	% Shareholding
1.	Aga Khan Fund for Economic Development	13,674,546	37.98
2.	Ameerli K Somji &/or Gulzar Ameerli K Somji	1,672,121	4.64
3.	United Housing Estate Limited	653,184	1.81
4.	Adam's Brown and Co Ltd.	621,792	1.73
5.	Ameerli N Esmail	510,256	1.42
6.	Karim Jamal	271,764	0.76
7.	Estate of Jafferli A Meghji	262,440	0.73
8.	Ameerli K Somji	182,688	0.51
9.	Noorali Rashid Sayani and Gulshan Noorali Sayani	180,072	0.50
10.	Gulzar K Somji	157,096	0.43
	Total	18,185,959	50.51

REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF THE JUBILEE INSURANCE COMPANY LIMITED

We have audited the financial statements of The Jubilee Insurance Company Limited for the year ended 31st December, 2004, set out on pages 14 to 42.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for the preparation of financial statements as described on page 11. Our responsibility is to express an independent opinion on the financial statements based on our audit.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the Directors, as well as an evaluation of the overall presentation of the financial statements.

We have obtained all the information and explanations that to the best of our knowledge and belief were necessary for the purposes of our audit and believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of the financial affairs of the Group and of the Company as at 31st December, 2004 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. The balance sheet of the Company is in agreement with the books of account.

PRICEWATERHOUSECOOPERS 

Certified Public Accountants

Nairobi, Kenya

13th April, 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 2004

	Notes	Short-Term Business Shs '000	Long-Term Business Shs '000	2004 Total Shs '000	Short-Term Business Shs '000	Long-Term Business Shs '000	2003 Total Shs '000
Gross earned premium		1,756,647	541,451	2,298,098	1,808,169	372,660	2,180,829
Less: Outward reinsurance		521,394	51,793	573,187	756,778	36,745	793,523
Net insurance premium revenue		1,235,253	489,658	1,724,911	1,051,391	335,915	1,387,306
Investment income	3	278,182	279,915	558,097	224,098	327,632	551,730
Commission earned		161,902	10,755	172,657	216,124	6,003	222,127
Total income		1,675,337	780,328	2,455,665	1,491,613	669,550	2,161,163
Claims and policyholders' benefits payable		1,173,795	533,653	1,707,448	778,381	447,274	1,225,655
Insurance claims recoverable from reinsurers		398,211	23,425	421,636	209,006	4,228	213,234
Net insurance benefits and claims		775,584	510,228	1,285,812	569,375	443,046	1,012,421
Operating and other expenses		461,826	221,258	683,084	436,265	200,089	636,354
Commission payable		232,478	34,258	266,736	274,468	26,398	300,866
Total expenses		694,304	255,516	949,820	710,733	226,487	937,220
Result of operating activities		205,449	14,584	220,033	211,505	17	211,522
Share of result of associates before tax	11(d)	94,583	44,266	138,849	61,599	40,043	101,642
Group profit before tax	2	300,032	58,850	358,882	273,104	40,060	313,164
Tax	5	67,296	15,000	82,296	62,939	7,500	70,439
Net profit for the year		232,736	43,850	276,586	210,165	32,560	242,725
Attributable to:							
Equity holders of the Group		196,795	43,850	240,645	180,201	32,560	212,761
Minority interest	10	35,941	-	35,941	29,964	-	29,964
Total		232,736	43,850	276,586	210,165	32,560	242,725
Earnings per share attributable to the equityholders:							
Basic and diluted	26			6.68			5.91
Dividends:							
Interim - paid	28			27,000			18,000
Final - proposed	28			63,000			63,000
Total				90,000			81,000

The accounting policies on pages 22 to 25 and the notes on pages 26 to 42 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER 2004

		Short-Term	Long-Term	2004	Restated
		Business	Business	Total	2003
	Notes	Shs'000	Shs'000	Shs'000	Total
					Shs'000
CAPITAL EMPLOYED					
Share capital	7	100,000	80,000	180,000	180,000
Fair value reserves	8 (a)	113,618	41,645	155,263	265,649
General reserves	8 (a)	70,000	262	70,262	70,161
Translation reserves	8 (a)	4,886	-	4,886	(19,345)
Retained earnings	8 (a)	1,585,380	35,005	1,620,385	1,469,740
Proposed dividends	28	63,000	-	63,000	63,000
Shareholders' funds		1,936,884	156,912	2,093,796	2,029,205
Minority interest	10	245,776	-	245,776	214,225
Total capital, reserves and minority interest		2,182,660	156,912	2,339,572	2,243,430
REPRESENTED BY:					
ASSETS					
Fixed assets					
Property and equipment	13 (a)	47,907	17,249	65,156	45,490
Investments					
Investment properties	14 (a)	1,144,102	819,296	1,963,398	1,931,735
Available for sale assets: - Quoted shares	15 (a)	169,286	864,439	1,033,725	456,147
- Unquoted shares	16 (a)	289,907	139,668	429,575	305,374
Investment in associates	11 (a)	586,197	394,951	981,148	905,987
Mortgage loans	17 (a)	18,970	57,811	76,781	116,621
Commercial bonds		9,490	-	9,490	8,930
Loans on life insurance policies		-	166,214	166,214	164,872
Government securities	19 (a)	455,795	1,690,285	2,146,080	2,240,072
Deposits with financial institutions		613,100	244,487	857,587	406,797
Other assets					
Receivables arising out of reinsurance arrangements	18(a)	136,424	8,705	145,129	127,359
Receivables arising out of direct insurance arrangements		419,409	11,111	430,520	400,759
Reinsurers' share of technical provisions and reserves		1,007,389	11,009	1,018,398	713,127
Current tax		12,813	4,379	17,192	8,956
Deferred tax	23(a)	-	58	58	-
Deferred acquisition costs		54,631	-	54,631	36,387
Other receivables		95,870	19,178	115,048	250,688
Cash and bank balances		202,267	11,445	213,712	286,659
Total assets		5,263,557	4,460,285	9,723,842	8,405,960

CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER 2004 (CONTINUED)

		Short-Term	Long-Term	2004	Restated
		Business	Business	Total	Total
	Notes	Shs'000	Shs'000	Shs'000	Shs'000
LIABILITIES					
Actuarial value of policyholders' liabilities		-	1,851,767	1,851,767	1,482,456
Payable under deposit administration contracts	9(a)	-	2,228,738	2,228,738	1,827,869
Unearned premium		955,660	-	955,660	819,918
Outstanding claims		1,487,644	125,010	1,612,654	1,240,089
Creditors arising out of reinsurance arrangements	21(a)	138,390	27,810	166,200	117,725
Other payables		209,226	70,048	279,274	419,628
Current tax		-	-	-	6,058
Dividends payable		65,997	-	65,997	58,795
Bank overdraft		61,200	-	61,200	35,417
Provision for liabilities and charges	22(a)	-	-	-	5,398
Deferred tax	23(a)	162,780	-	162,780	149,177
Total liabilities		3,080,897	4,303,373	7,384,270	6,162,530
Net assets		2,182,660	156,912	2,339,572	2,243,430

The financial statements on pages 14 to 42 were approved by the Board of Directors on 13th April, 2005 and signed on its behalf by:

Nizar N Juma
Chairman

Zulfikar K Mohamed
Director

COMPANY BALANCE SHEET

AS AT 31ST DECEMBER 2004

		Short-Term	Long-Term	2004	Restated
		Business	Business	Total	2003
	Notes	Shs'000	Shs'000	Shs'000	Total
					Shs'000
CAPITAL EMPLOYED					
Share capital	7	100,000	80,000	180,000	180,000
Fair value reserves	8(b)	182,199	-	182,199	292,071
General reserves	8(b)	70,000	-	70,000	70,000
Translation reserves	8(b)	30,156	-	30,156	32,266
Retained earnings	8(b)	1,101,560	-	1,101,560	1,027,602
Proposed dividends	28	63,000	-	63,000	63,000
Shareholders' funds		1,546,915	80,000	1,626,915	1,664,939
REPRESENTED BY:					
ASSETS					
Fixed assets					
Property and equipment	13(b)	15,813	17,045	32,858	24,108
Investments					
Investment properties	14(b)	1,136,400	786,000	1,922,400	1,897,435
Available for sale assets: - Quoted shares	15(b)	165,729	805,608	971,337	410,008
- Unquoted shares	16(b)	431,811	139,668	571,479	435,279
Investment in subsidiaries	12	331,875	-	331,875	162,988
Investment in associates	11(b)	97,600	204,763	302,363	302,363
Mortgage loans	17(b)	-	57,811	57,811	90,812
Loans on life insurance policies		-	166,214	166,214	164,872
Government securities	19(b)	206,234	1,627,821	1,834,055	1,865,511
Deposits with financial institutions		113,464	162,056	275,520	131,244
Other assets					
Receivables arising out of reinsurance arrangements	18(b)	146,535	16,737	163,272	104,082
Receivables arising out of direct insurance arrangements		154,964	7,700	162,664	137,928
Reinsurers' share of technical provisions and reserves		296,170	9,676	305,846	308,482
Current tax		13,596	8,250	21,846	6,946
Deferred acquisition costs		51,222	-	51,222	36,387
Other receivables		168,155	52,744	220,899	241,482
Cash and bank balances		37,415	115,729	153,144	203,760
Total assets		3,366,983	4,177,822	7,544,805	6,523,687

COMPANY BALANCE SHEET

AS AT 31ST DECEMBER 2004 (CONTINUED)

		Short-Term	Long-Term	2004	Restated
		Business	Business	Total	2003
	Notes	Shs'000	Shs'000	Shs'000	Total
					Shs'000
LIABILITIES					
Actuarial value of policyholders' liabilities		-	1,668,311	1,668,311	1,326,108
Payable under deposit administration contracts	9(b)	-	2,178,108	2,178,108	1,739,025
Unearned premium		445,852	-	445,852	343,777
Outstanding claims		864,732	122,558	987,290	889,673
Creditors arising out of reinsurance arrangements	21(b)	75,586	11,854	87,440	55,481
Other payables		131,061	116,991	248,052	239,527
Current tax		-	-	-	1,560
Dividends payable		65,997	-	65,997	58,795
Bank overdraft		56,948	-	56,948	32,612
Provision for liabilities and charges	22(b)	-	-	-	4,022
Deferred tax	23(b)	179,892	-	179,892	168,168
Total liabilities		1,820,068	4,097,822	5,917,890	4,858,748
Net assets		1,546,915	80,000	1,626,915	1,664,939

The financial statements on pages 14 to 42 were approved by the Board of Directors on 13th April, 2005 and signed on its behalf by:

Nizar N Juma
Chairman

Zulfikar K Mohamed
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2004

		Share Capital Shs'000	Fair Value Reserves Shs'000	General Reserves Shs'000	Translation Reserves Shs'000	Retained Earnings Shs'000	Proposed Dividends Shs'000	Total Shs'000
Year ended 31st December, 2003								
At start of year (as previously reported)		180,000	70,020	70,000	8,161	1,111,141	45,000	1,484,322
- reclassification of leasehold land - Company	8(a)	-	-	-	-	260,366	-	260,366
- reclassification of leasehold land - associates	8(a)	-	-	-	-	51,880	-	51,880
- deferred tax on fair value gains - Company	8(a)	-	-	-	-	(70,874)	-	(70,874)
- deferred tax on fair value gains - associates	8(a)	-	-	-	-	(14,534)	-	(14,534)
As restated		180,000	70,020	70,000	8,161	1,337,979	45,000	1,711,160
Fair value gain (net)	8(a)	-	195,629	-	-	-	-	195,629
Translation loss (net)	8(a)	-	-	-	(27,506)	-	-	(27,506)
General reserves	8(a)	-	-	161	-	212,761	-	212,761
Net profit		-	-	-	-	-	(45,000)	(45,000)
Dividends: - Final for 2002 paid	28	-	-	-	-	(18,000)	-	(18,000)
- Interim for 2003 paid		-	-	-	-	-	-	-
- Final for 2003 proposed	28	-	-	-	-	(63,000)	63,000	-
At end of year		180,000	265,649	70,161	(19,345)	1,469,740	63,000	2,029,205
Year ended 31st December, 2004								
At start of year		180,000	265,649	70,161	(19,345)	1,469,740	63,000	2,029,205
Fair value loss (net)	8(a)	-	(110,386)	-	-	-	-	(110,386)
Translation gain (net)	8(a)	-	-	-	24,231	-	-	24,231
General reserves	8(a)	-	-	101	-	240,645	-	240,645
Net profit		-	-	-	-	-	(63,000)	(63,000)
Dividends: - Final for 2003 paid	28	-	-	-	-	(27,000)	-	(27,000)
- Interim for 2004 paid	28	-	-	-	-	-	-	-
- Final for 2004 proposed	28	-	-	-	-	(63,000)	63,000	-
At end of year		180,000	155,263	70,262	4,886	1,620,385	63,000	2,093,796

The accounting policies on pages 22 to 25 and the notes on pages 26 to 42 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2004

Year ended 31st December, 2003

	Notes	Share Capital Shs'000	Fair Value Reserves Shs'000	General Reserves Shs'000	Translation Reserves Shs'000	Retained Earnings Shs'000	Proposed Dividends Shs'000	Total Shs'000
At start of year (as previously reported)		180,000	79,466	70,000	24,075	775,778	45,000	1,174,319
- reclassification of leasehold land	8(b)	-	-	-	-	260,366	-	260,366
- deferred tax on fair value gains	8(b)	-	-	-	-	(70,874)	-	(70,874)
As restated		180,000	79,466	70,000	24,075	965,270	45,000	1,363,811
Fair value gain (net)	8(b)	-	212,605	-	-	-	-	212,605
Translation gain (net)	8(b)	-	-	-	8,191	-	-	8,191
Net profit		-	-	-	-	143,332	-	143,332
Dividends:								
- Final for 2002 paid		-	-	-	-	-	(45,000)	(45,000)
- Interim for 2003 paid	28	-	-	-	-	(18,000)	-	(18,000)
- Final for 2003 proposed	28	-	-	-	-	(63,000)	63,000	-
At end of year		180,000	292,071	70,000	32,266	1,027,602	63,000	1,664,939

Year ended 31st December, 2004

At start of year		180,000	292,071	70,000	32,266	1,027,602	63,000	1,664,939
Fair value loss (net)	8(b)	-	(109,872)	-	-	-	-	(109,872)
Translation loss (net)	8(b)	-	-	-	(2,110)	-	-	(2,110)
Net profit		-	-	-	-	163,958	-	163,958
Dividends:								
- Final for 2003 paid	28	-	-	-	-	-	(63,000)	(63,000)
- Interim for 2004 paid	28	-	-	-	-	(27,000)	-	(27,000)
- Final for 2004 proposed	28	-	-	-	-	(63,000)	63,000	-
At end of year		180,000	182,199	70,000	30,156	1,101,560	63,000	1,626,915

The accounting policies on pages 22 to 25 and the notes on pages 26 to 42 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2004

	Notes	2004 Shs'000	2003 Shs'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		358,882	313,164
Adjustments for:			
Depreciation	13(a)	29,266	25,921
Net inflows from deposit administration contracts		359,612	287,440
Profit on sale of quoted shares	3	(79,652)	(73,821)
Change in technical provisions		53,532	255,730
Investment income		(468,253)	(471,075)
Increase in fair value of investment properties	3	(10,192)	(6,834)
Share of result of associates before tax	11(d)	(138,849)	(101,642)
Operating profit before working capital changes		104,346	228,883
Decrease/(increase) in premium, reinsurance and other receivables		68,930	(253,972)
Increase in reinsurance and other payables/provision for liabilities and charges		222,090	212,095
Cash generated from operations		395,366	187,006
Income tax paid		(50,883)	(78,787)
Net cash inflow from operating activities		344,483	108,219
CASH FLOW FROM INVESTING ACTIVITIES			
Investment income received		468,253	471,075
Dividends received from associates	11(d)	49,284	21,165
Proceeds from sale of quoted shares		178,188	166,286
Proceeds from disposal of fixed assets		1,231	6,134
Purchase of fixed assets	13(a)	(47,825)	(22,982)
Addition to investment properties (net of disposal)	14(a)	(16,041)	(13,598)
Purchase of quoted shares	15(a)	(661,535)	(94,280)
Purchase of unquoted ordinary shares		(42,083)	(105,355)
Purchase of additional shares in associates		-	(25,105)
Additional investment in subsidiary		(18,887)	-
Net mortgage loans redeemed/(advanced)		43,125	(9,596)
Net loans on life insurance policies advanced		(1,342)	(21,058)
Net addition of government securities maturing after 91 days of the date of acquisition		(34,370)	(298,484)
Net cash outflow/inflow from investing activities		(82,002)	74,202
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid		(82,798)	(57,132)
Dividends paid to minority in subsidiaries		(6,279)	-
Net cash outflow from financing activities		(89,077)	(57,132)
Increase in cash and cash equivalents		173,404	125,289
Cash and cash equivalents at start of year	20	976,077	870,049
Exchange gain/(loss) on translation of cash and cash equivalents in foreign currencies		29,864	(19,261)
Cash and cash equivalents at end of year	20	1,179,345	976,077

The accounting policies on pages 22 to 25 and the notes on pages 26 to 42 form part of these financial statements.

ACCOUNTING POLICIES

31ST DECEMBER 2004

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

a) BASIS OF PREPARATION

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS). The financial statements are presented in the functional currency, Kenya Shillings (Shs), rounded to the nearest thousand and prepared under the historical cost convention as modified by the revaluation of available for sale assets and investment properties.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of current events and actions, the actual results may differ from those estimates.

b) CONSOLIDATION

The Group accounts incorporate the accounts of subsidiary companies made up to 31st December of each year. All inter-company transactions, balances and unrealised surpluses and deficits on transactions between the Company and the subsidiaries have been eliminated. The accounting policies for the subsidiaries are consistent with the policies adopted by the holding Company. A listing of subsidiaries is shown on note 12.

c) INVESTMENT IN ASSOCIATES

Associates are undertakings in which the group has between 20% and 50% of voting rights. Investments in associated undertakings are accounted for in the consolidated financial statements by the equity method of accounting, based on the most recent financial statements, and at cost in the Company's financial statements. Provisions are recorded for any long-term impairment in value.

Equity accounting involves recognising in the income statement, the Group's share of the associate's profit or loss for the year. The Group's interest in the associates is carried in the balance sheet at an amount that reflects its share of the net assets of the associates. A listing of the Group's associated undertakings is shown on note 11.

d) FOREIGN CURRENCIES

Transactions in foreign currencies during the year are converted into Kenya Shillings at rates ruling at the transaction dates. Income statements of foreign entities are translated into the Group's reporting currency at average exchange rates for the year and the balance sheets are translated at the year-end exchange rates. Exchange differences arising from the translation of the net investment in foreign enterprises and associated undertakings are taken to the translation reserves in Shareholders' equity.

e) UNDERWRITING RESULTS

Short-Term Insurance Business

- (i) The underwriting results for the Short-Term insurance business are determined on an annual basis whereby the incurred cost of claims commission and related expenses are charged against the earned proportion of premium, net of reinsurance.
- (ii) Unearned premium represents the portion of premium written (net of reinsurance) in periods up to the balance sheet date which relate to the unexpired terms of the policies in force at the balance sheet date, calculated using the 1/24th method.
- (iii) 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).
- (iv) Acquisition costs representing commissions (net of commission recoverable) are allocated to the revenue account as incurred in the management of each class of business. Acquisition costs are deferred over the period in which the related premium written is earned.

ACCOUNTING POLICIES

31ST DECEMBER 2004 (CONTINUED)

e) UNDERWRITING RESULTS (CONTINUED)

- (v) Management expenses relating to direct business are allocated to the revenue account as incurred in the management of each class. Management expenses for reinsurance accepted are allocated on the basis of the reinsurance premium written in each class of business.
- (vi) Results of the Company's share of the two Kenya Motor Insurance Pools are accounted for in the revenue accounts in accordance with the Pool's accounting year that runs from October to September of the following year. As a result, the Pools' results for the 4th quarter of the Company's accounting year are accounted for in the subsequent year.

Long-Term Insurance Business

- (i) Premium for Long-Term business is accounted for on a basis that approximates to a pre-debit method of accounting as adjusted for estimated lapses.
- (ii) Claims arising on maturity are recognised on the maturity date. Death claims are recorded on notification. Surrenders and annuities are accounted for on payment.
- (iii) Expenses and commissions are allocated as incurred in the management of each class of business. Commissions are shown net of reinsurance commission earned.
- (iv) An annual investigation is carried out by an actuary into the financial condition of the Long-Term business funds. Surpluses arising, if any, are allocated to policyholders' bonuses and to the Shareholders' profit by the Directors with the advice of the actuary, in accordance with the Articles of Association and the provisions of the Insurance Act. Any balance remaining is carried forward in the Long-Term business funds.

f) INVESTMENT INCOME

Investment income is stated net of investment expenses and includes fair value gains/losses on investment properties. Interest and rent are recognized as income in the period in which they are earned. Dividends are recognized as income in the period in which they are declared.

g) INVESTMENT PROPERTIES

Investment properties comprise land and buildings held to earn rentals and/or for capital appreciation. They are carried at market value determined annually, based on valuations by external independent valuers. Investment properties are not subject to depreciation. Fair value gains/(losses) are recorded in the profit and loss account.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account.

h) OTHER INVESTMENTS

All purchase and sale of investments are recognised on trade date which is the date the Group commits to purchase or sell the asset. The cost of purchase includes transaction costs.

Management subsequently determines the appropriate classification of each investment and re-evaluates such designation on a regular basis as follows:

Investments with fixed maturity that the Group has the intent and ability to hold to maturity are classified as held-to-maturity and are carried at amortized cost.

Non-equity investments purchased in the primary market (i.e. directly from the issuer) are classified as originated loans, and are carried at amortized cost.

ACCOUNTING POLICIES

31ST DECEMBER 2004 (CONTINUED)

h) OTHER INVESTMENTS (CONTINUED)

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale and are carried at fair value.

Investments are classified and carried at values as follows:

- i) Quoted shares are classified as available-for-sale investments and are carried at fair value. Their fair value is calculated by reference to the stock exchange quoted bid prices at the close of business on the balance sheet date.
- ii) Unquoted ordinary shares are classified as available-for-sale investments. They are shown at fair value unless their value cannot be reliably measured, when they are carried at cost less provision for impairment.
- iii) Government securities are classified as originated loans. They are carried at amortized cost (i.e. cost plus accrued discount or interest) and any premium or discount is amortized through income, using the effective yield method.
- iv) Fixed deposits, commercial paper and other commercial bonds are classified as originated loans. These are carried at amortized cost (i.e. cost plus accrued income), using the effective yield method.
- v) Mortgage loans are classified as originated loans and are carried at redemption values, after provision for non-performing loans. Instalments due on loans remaining unpaid for more than three months are not recognized and are fully provided for in the income statement.
- vi) Loans on life insurance policies are carried within their surrender values at redemption values.

i) FIXED ASSETS

Fixed assets are stated at historical cost less depreciation, calculated to write off the cost of the assets to their residual values over the expected useful lives as follows:

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

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

j) OTHER RECEIVABLES

Premium and other receivables are carried at anticipated realizable value. A review of all outstanding amounts is carried out at year-end to identify and provide for doubtful receivables.

k) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and cheques on hand, deposits held at banks, including call deposits and short-term government securities, net of bank overdrafts. In the balance sheet, bank overdrafts are included under other liabilities.

l) EMPLOYEE ENTITLEMENTS

Employee entitlements to annual leave are recognized when they accrue to employees. The estimated monetary liability for employees' annual leave entitlement at the balance sheet date is recognized as an expense accrual.

PROXY FORM



The Jubilee Insurance Company Limited

INCORPORATED IN KENYA. ESTABLISHED 1937

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 Tuesday 21st June, 2005 at 10.30 a.m and at any adjournment thereof.

As witnessed my/our hand this _____ day of _____ 2005.

Member

Important Notes:

1. If you are unable to attend this meeting personally, this proxy form should be completed and returned to The Company Secretary, P.O. Box 30376, 00100 - GPO, Nairobi, Kenya so as to reach 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 proxy form must be executed under seal or under the hand of an officer or attorney duly authorised in writing on its behalf.

FOLD 2

STAMP

The Company Secretary
The Jubilee Insurance Company Limited
P.O. Box 30376, 00100 - GPO
Nairobi
KENYA

FOLD 1

FOLD 3

INSERT FLAP INSIDE



FOLD 2

STAMP

The Company Secretary
Jubilee Holdings Limited
P.O. Box 30376, 00100 - GPO
Nairobi
KENYA

FOLD 1

FOLD 3

INSERT FLAP INSIDE



PROXY FORM



Jubilee Holdings Limited

INCORPORATED IN KENYA. ESTABLISHED 1937

I/We _____

of _____

being a member/members of Jubilee Holdings 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 Monday 26th June, 2006 at 11.00 a.m and at any adjournment thereof.

As witnessed my/our hand this _____ day of _____ 2006.

Member

Important Notes:

1. If you are unable to attend this meeting personally, this proxy form should be completed and returned to The Company Secretary, P.O. Box 30376, 00100 - GPO, Nairobi, Kenya so as to reach 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 proxy form must be executed under seal or under the hand of an officer or attorney duly authorised in writing on its behalf.

ACCOUNTING POLICIES

31ST DECEMBER 2004 (CONTINUED)

m) PENSION OBLIGATIONS

The Company operates a defined contribution pension scheme for its employees. The contributions to the pension scheme are charged to the revenue accounts in the year to which they relate.

n) DEFERRED TAX

Deferred tax is provided for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes using the liability method. Currently enacted or substantively enacted tax rates are used to determine deferred tax.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

o) DIVIDENDS

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

p) COMPARATIVES

Where necessary, comparative figures have been adjusted or extended to conform to changes in presentation in the current year.

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2004

1. SEGMENT INFORMATION

a) Primary reporting format – business segments

The Group's operations are from the two main business segments of Short-Term and Long-Term insurance business. The results of these two segments are reported separately in the profit and loss account on page 14. The other major operations of the Group comprise property and other investment activities.

The Short-Term business of the Group may be further segmented into direct insurance and reinsurance accepted. The following segment information is given in respect of these two segments:

	Year ended 31 st December, 2004			Year ended 31 st December, 2003		
	Direct Insurance Shs'000	Reinsurance Accepted Shs'000	Total Shs'000	Direct Insurance Shs'000	Reinsurance Accepted Shs'000	Total Shs'000
Gross earned premium	1,650,755	105,892	1,756,647	1,798,042	10,127	1,808,169
Segment result	1,170	(18,997)	(17,827)	36,428	(2,892)	33,536
Segment liabilities :						
-technical provisions	2,367,710	75,594	2,443,304	1,908,170	46,719	1,954,889

b) Secondary reporting format – geographical segments

The Group's geographical segments of Short-Term business are Kenya, Uganda, Tanzania, Mauritius and India. Kenya is the home country of the parent Company. The Company accepted reinsurance business from its associates and subsidiaries operating in East Africa and Mauritius. The Group has investments in these geographical segments.

The Long-Term business gross earned premium written in Uganda and Tanzania in 2004 was only 3.5% (2003: 5.2%) of the total. The Long-Term business assets are disclosed separately in the balance sheet.

The following is the geographical segment information relating to the Short-Term business and Shareholders funds:

	Gross earned premium		Investment income		Total assets	
	2004 Shs'000	2003 Shs'000	2004 Shs'000	2003 Shs'000	2004 Shs'000	2003 Shs'000
Kenya	848,897	743,956	170,887	127,269	2,406,090	2,201,409
Uganda	394,633	341,563	69,701	41,743	1,569,959	1,554,751
Tanzania	409,546	591,672	14,538	23,605	820,498	704,975
Mauritius	103,571	130,978	11,551	20,043	446,782	328,187
India	-	-	11,505	11,438	20,228	8,864
Total	1,756,647	1,808,169	278,182	224,098	5,263,557	4,798,186

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2004 (CONTINUED)

2. GROUP PROFIT BEFORE TAX

	Short-Term Business Shs'000	Long-Term Business Shs'000	2004 Total Shs'000	2003 Total Shs'000
The Group profit before tax is arrived at after charging:				
Depreciation (note 13(a))	21,767	7,499	29,266	25,921
Auditors' remuneration including VAT (Company: 2004: Shs 3,837,935 2003: Shs 3,712,087)	5,703	1,587	7,290	6,947
Staff costs (note 4)	224,626	113,695	338,321	309,088
Restructuring expenses	10,071	-	10,071	12,567
Annual report expenses	2,443	-	2,443	1,633
Directors' fees (note 25)	1,395	-	1,395	1,838
Board meeting and AGM expenses	1,705	-	1,705	4,016
Expenses of non - insurance subsidiaries	29,108	-	29,108	14,976
Professional fees	7,295	-	7,295	10,764

3. INVESTMENT INCOME

	Short-Term Business Shs'000	Long-Term Business Shs'000	2004 Total Shs'000	2003 Total Shs'000
Group				
Mortgage loan interest	2,779	8,420	11,199	51,058
Bank deposit interest	14,142	14,832	28,974	28,194
Government securities interest	33,436	162,913	196,349	223,054
Dividend income	31,999	10,179	42,178	21,986
Rental income (net of expenses)	76,244	59,274	135,518	91,774
Gain on sale of investment	79,555	97	79,652	73,821
Fair value gains on investment properties (note 14(a))	8,749	1,443	10,192	6,834
Exchange gain	10,810	3	10,813	11,839
Other income	20,468	22,754	43,222	43,170
Total	278,182	279,915	558,097	551,730

4. STAFF COSTS

	Short-Term Business Shs'000	Long-Term Business Shs'000	2004 Total Shs'000	2003 Total Shs'000
Group				
Wages and salaries	209,684	99,962	309,646	276,375
Pension costs – defined contribution plan	6,873	5,042	11,915	7,095
Other benefits	8,069	8,691	16,760	25,618
Total	224,626	113,695	338,321	309,088

The number of persons employed by the Group at year end were 301 (2003: 293).

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2004 (CONTINUED)

5. TAX	Short-Term Business Shs'000	Long-Term Business Shs'000	2004 Total Shs'000	2003 Total Shs'000
Group				
Current tax	26,518	15,000	41,518	61,637
Share of tax of associates	29,477	-	29,477	17,650
Deferred tax	11,301	-	11,301	(8,848)
Total	67,296	15,000	82,296	70,439

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

	Short-Term Business Shs'000	Long-Term Business Shs'000	2004 Total Shs'000	2003 Total Shs'000
Profit before tax	300,032	58,850	358,882	313,164
Tax calculated at 30% (2003: 30%)	90,010	17,655	107,665	93,949
Effect of:				
Income not subject to tax	(50,213)	-	(50,213)	(29,971)
Expenses not deductible for tax purposes	6,325	-	6,325	7,955
Others	21,174	(2,655)	18,519	(1,494)
Tax charge	67,296	15,000	82,296	70,439

6. ACTUARIAL VALUATION AND TRANSFER FROM LONG-TERM BUSINESS

Group

The Group's actuaries carried out actuarial valuations of the Long-Term business as at 31st December, 2004. On the recommendation of the actuaries, the following amounts were transferred from the actuarial surplus of Long-Term business to the profit and loss account:

	2004 Shs'000	2003 Shs'000
The Jubilee Insurance Company Limited	50,000	32,500
The Jubilee Insurance Company of Tanzania Limited	8,850	7,560
Total	58,850	40,060

7. SHARE CAPITAL

Ordinary shares of Shs 5 each

	Number of shares 2004 Shs'000	2003 Shs'000	Share capital 2004 Shs'000	2003 Shs'000
Authorised (Short-Term business)	24,000	24,000	120,000	120,000
Authorised (Long-Term business)	16,000	16,000	80,000	80,000
Total	40,000	40,000	200,000	200,000
Issued and fully paid				
At start and end of year (Short-Term business)	20,000	20,000	100,000	100,000
At start and end of year (Long-Term business)	16,000	16,000	80,000	80,000
Total	36,000	36,000	180,000	180,000

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2004 (CONTINUED)

8. RESERVES	2004	2003
(a) Group	Shs'000	Shs'000
Fair value reserves		
At start of year	285,649	70,020
Fair value (loss)/gain on quoted shares (note 15 (a))	(118,576)	206,063
Fair value gain/(loss) on unquoted shares (note 16(a))	6,537	(7,077)
Fair value (loss)/gain from subsidiaries	(3,219)	30,060
Fair value gain/(loss) from associates	15,598	(33,417)
Release of fair value gains on disposal of quoted shares	(12,726)	-
At end of year	155,263	265,649
The fair value reserves are non-distributable.		
General reserves		
At start of year	70,161	70,000
Share of subsidiaries' general reserves	101	161
At end of year	70,262	70,161
General reserves includes Shs 70 million which was an appropriation of retained earnings in 1992, and is therefore distributable.		
Translation reserves		
At start of year	(19,345)	8,161
Net translation gain/(loss)	4,937	(39,188)
Translation gains from associates	19,294	11,682
At end of year	4,886	(19,345)
Retained earnings		
At start of year (as previously reported)	1,469,740	1,111,141
-reclassification of leasehold land - Company	-	260,366
-reclassification of leasehold land - associates	-	51,880
-deferred tax on fair value gains - Company	-	(70,874)
-deferred tax on fair value gains - associates	-	(14,534)
As restated	1,469,740	1,337,979
Net profit	240,645	212,761
Paid and proposed dividend	(90,000)	(81,000)
At end of year	1,620,385	1,469,740

The prior year adjustment relates to the reclassification of leasehold land and deferred tax thereon, following the early adoption of International Accounting Standard 40, Investment Properties (revised 2003), during the year.

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2004 (CONTINUED)

8. RESERVES (CONTINUED)	2004	2003
(b) Company	Shs'000	Shs'000
Fair value reserves		
At start of year	292,071	79,466
Fair value (loss)/gain on quoted shares (note 15(b))	(116,191)	220,511
Fair value gain/(loss) on unquoted shares (note 16(b))	19,045	(7,906)
Release of fair value gains on disposal of quoted shares	(12,726)	-
At end of year	182,199	292,071

The fair value reserves are non-distributable.

General reserves

At start and end of year	70,000	70,000
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The general reserves were an appropriation of retained earnings in 1992, and are therefore distributable.

Translation reserves

At start of year	32,266	24,075
Net translation (loss)/ gain	(2,110)	8,191
At end of year	30,156	32,266

Retained earnings

At start of year (as previously reported)	1,027,602	775,778
-reclassification of leasehold land	-	260,366
-deferred tax on fair value gains (note 23(b))	-	(70,874)
As restated	1,027,602	965,270
Net profit	163,958	143,332
Paid and proposed dividend	(90,000)	(81,000)
At end of year	1,101,560	1,027,602

Fair value gains/(losses) arising from the Company's investment properties are credited/(charged) through the profit and loss account. The Commissioner of Insurance has placed restrictions on distribution of these reserves by the Company which amounted to Shs 647,446,830 as at 31st December, 2004 (2003: Shs 642,209,984).

The prior year adjustment relates to the reclassification of leasehold land and deferred tax thereon, following the early adoption of International Accounting Standard 40, Investment Properties (revised 2003), during the year.

9. PAYABLE UNDER DEPOSIT ADMINISTRATION CONTRACTS

Movements in amounts payable under deposit administration contracts during the year are as shown below. The liabilities are shown inclusive of interest accumulated to 31st December. Interest by the company was declared and credited to the customer accounts at a weighted average rate of 9.5% for the year (2003: 10.25%).

	2004	2003
	Shs'000	Shs'000
(a) Group		
At start of year	1,827,869	1,502,363
Pension fund deposits received	465,155	313,840
Surrenders and annuities paid	(220,304)	(157,066)
Commissions and expenses charged	(41,968)	(34,064)
Investment income (net)	156,729	164,730
Fair value gains on quoted and unquoted shares	37,536	38,066
Translation gain	3,721	-
At end of year	2,228,738	1,827,869

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2004 (CONTINUED)

9. PAYABLE UNDER DEPOSIT ADMINISTRATION CONTRACTS (CONTINUED)	2004 Shs'000	2003 Shs'000
(b) Company		
At start of year	1,739,025	1,419,106
Pension fund deposits received	451,681	304,833
Surrenders and annuities paid	(160,029)	(145,454)
Commissions and expenses charged	(39,964)	(32,223)
Investment income (net)	149,859	154,697
Fair value gains on quoted and unquoted shares	37,536	38,066
At end of year	2,178,108	1,739,025

10. MINORITY INTEREST	2004 Shs'000	2003 Shs'000
At start of year	214,225	207,059
Share of:		
- net profit of subsidiaries	35,941	29,964
- reserves of subsidiaries	(4,390)	(22,798)
At end of year	245,776	214,225

11. INVESTMENT IN ASSOCIATED COMPANIES AND SUBSIDIARIES

	Short-Term Business	Long -Term Business	2004 Total	2003 Total	2004 % Equity Held	2003 % Equity Held
(a) Group	Shs'000	Shs'000	Shs'000	Shs'000		
Share of net assets in:						
Property Development and Management Limited	364,643	127,204	491,847	448,495	34.76	34.76
IPS Power Investment Limited	-	130,638	130,638	119,400	27.00	27.00
TPS Holdings Limited	167,779	6,306	174,085	158,422	21.52	21.52
East Africa Reinsurance Company Limited	53,775	130,803	184,578	179,670	25.83	25.83
Total	586,197	394,951	981,148	905,987		
(b) Company						
Investment at cost in:						
Property Development and Management Limited	64,710	33,190	97,900	97,900	27.75	27.75
IPS Power Investment Limited	-	91,573	91,573	91,573	27.00	27.00
East Africa Reinsurance Company Limited	32,890	80,000	112,890	112,890	25.83	25.83
Total	97,600	204,763	302,363	302,363		

- (c) Property Development and Management Limited conducts property investment, development and management. 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. TPS Holdings Limited has invested in the equity of Tourism Promotion Services Limited, the owner and operator of hotel and lodge facilities in Kenya. East Africa Reinsurance Company Limited is a private reinsurance company. All the associated companies are incorporated in Kenya.

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2004 (CONTINUED)

11. INVESTMENT IN ASSOCIATED COMPANIES AND SUBSIDIARIES (CONTINUED)

	Short-Term Business Shs'000	Long-Term Business Shs'000	2004 Total Shs'000	2003 Total Shs'000
(d) Movement of net assets during the year:				
Group				
At start of year (as previously reported)	538,338	367,649	905,987	816,145
-reclassification of leasehold land	-	-	-	71,128
-deferred tax on fair value gains	-	-	-	(19,927)
As restated	538,338	367,649	905,987	867,346
Transfers to unquoted investments	-	-	-	(33,540)
Disposals	-	-	-	(2,278)
Share of result before tax	94,583	44,266	138,849	101,642
Share of tax (note 5)	(29,477)	(6,366)	(35,843)	(29,084)
Dividends received	(28,859)	(20,425)	(49,284)	(21,165)
Revaluation surplus	15,091	6,348	21,439	23,066
Transfer of reserves to Long-Term business	(3,479)	3,479	-	-
At end of year	586,197	394,951	981,148	905,987

(e) Reinsurance business

The Company accepted reinsurance business from the following associated companies and subsidiaries in the year:

	Short-Term Business Shs'000	Long-Term Business Shs'000	2004 Total Shs'000	2003 Total Shs'000
Premium income				
The Jubilee Insurance Company of Uganda Limited	154,554	8,803	163,357	71,763
East Africa Reinsurance Company Limited	88,179	592	88,771	92,183
Total	242,733	9,395	252,128	163,946

	Short-Term Business Shs'000	Long-Term Business Shs'000	2004 Total Shs'000	2003 Total Shs'000
Incurred claims and commissions payable				
The Jubilee Insurance Company of Uganda Limited	82,403	2,838	85,241	55,495
Jubilee Insurance (Mauritius) Ltd	10,064	-	10,064	35,963
The Jubilee Insurance Company of Tanzania Limited	(775)	-	(775)	20,422
East Africa Reinsurance Company Limited	64,698	1,665	66,363	41,836
Total	156,390	4,503	160,893	153,716

Amount due from/to related parties

The following were the outstanding balances on the reinsurance arrangement as at 31st December. The debit balances are included under receivables arising out of reinsurance arrangements while the credit balances are included under creditors arising out of reinsurance arrangements in the Company balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2004 (CONTINUED)

11. INVESTMENT IN ASSOCIATED COMPANIES AND SUBSIDIARIES (CONTINUED)	2004	2003
(e) Reinsurance business (continued)	Shs'000	Shs'000
Amount due from:		
The Jubilee Insurance Company of Uganda Limited	45,279	5,941
East Africa Reinsurance Company Limited	8,495	17,625
Total	53,774	23,566
Amount due to:		
The Jubilee Insurance (Mauritius) Ltd	22,323	13,422
The Jubilee Insurance Company of Tanzania Limited	19,946	13,247
Total	42,269	26,669

(f) Transactions with Property Development and Management Limited

During the year, the Company charged premium of Shs 5,485,111 (2003: Shs 6,581,032) under various insurance contracts to Property Development and Management Limited (PDML) out of which Shs 38,568 was outstanding at year-end, which is included under receivables arising out of direct insurance arrangements in the balance sheet. PDML charged Shs 1,542,811 (2003: Shs 2,381,484) for the various services rendered to the Company during the year and there were no outstanding amounts at year-end. All the transactions were at arms length. The terms and conditions of all the transactions are the same as those offered to major clients.

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

12. INVESTMENT IN SUBSIDIARIES

Investment at cost at year-end:			2004	2003
	Country of incorporation	Company Shs'000	% Equity Held by Group	% Equity Held by Group
The Jubilee Investments Company Limited	Uganda	14,278	75.00	75.00
Jubilee Financial Services Limited	Kenya	10,000	100.00	100.00
Jubilee Insurance (Mauritius) Ltd	Mauritius	59,491	75.63	53.30
The Jubilee Insurance Company of Uganda Limited	Uganda	25,195	56.25	56.25
The Jubilee Insurance Company of Tanzania Limited	Tanzania	72,911	51.00	51.00
Thillai Software Private Limited	India	-	100.00	100.00
The Jubilee Insurance Company of Kenya Limited	Kenya	150,000	100.00	-
Total		331,875		

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



NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2004 (CONTINUED)

13. PROPERTY AND EQUIPMENT

(a) Group

	Computer Equipment Shs'000	Motor Vehicles Shs'000	Furniture, Fixtures, Fittings & Office Equipment Shs'000	Total Shs'000
Cost				
At start of year	111,542	38,040	87,015	236,597
Additions	17,773	1,189	28,863	47,825
Disposals	(5,601)	(1,478)	(2,369)	(9,448)
Exchange adjustment	3,539	1,294	1,220	6,053
At end of year	127,253	39,045	114,729	281,027
Depreciation				
At start of year	99,427	31,506	60,174	191,107
Charge for the year	14,701	3,079	11,486	29,266
On disposals	(5,598)	(891)	(1,728)	(8,217)
Exchange adjustment	1,973	815	927	3,715
At end of year	110,503	34,509	70,859	215,871
Net book value				
At 31 st December, 2004	16,750	4,536	43,870	65,156
At 31 st December, 2003	12,115	6,534	26,841	45,490

(b) Company

	Computer Equipment Shs'000	Motor Vehicles Shs'000	Furniture, Fixtures, Fittings & Office Equipment Shs'000	Total Shs'000
Cost				
At start of year	76,107	16,883	65,900	158,890
Additions	9,590	735	13,362	23,687
Disposals	-	(2)	(1,637)	(1,639)
At end of year	85,697	17,616	77,625	180,938
Depreciation				
At start of year	72,193	15,567	47,022	134,782
Charge for the year	5,579	865	7,970	14,414
On disposals	-	-	(1,116)	(1,116)
At end of year	77,772	16,432	53,876	148,080
Net book value				
At 31 st December, 2004	7,925	1,184	23,749	32,858
At 31 st December, 2003	3,914	1,316	18,878	24,108

No depreciation has been charged in arriving at the results for the year in respect of certain property and equipment which originally cost Shs 113,101,605 (2003: Shs 92,090,872) and are still in use but fully depreciated. If depreciation had been charged during the year on the cost of these assets at normal rates, it would have amounted to Shs 31,031,317 (2003: Shs 25,035,386).

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2004 (CONTINUED)

14. INVESTMENT PROPERTIES

The valuation of freehold and leasehold properties as at 31st December, 2003 and 31st December, 2004 was carried out by Knight Frank Kenya Ltd on the basis of open market value. Investment properties include properties situated outside Kenya valued at Shs 756,000,000 (2003: Shs 746,000,000), which are included under Short-Term business.

	Short-Term Business Shs'000	Long-Term Business Shs'000	2004 Total Shs'000	2003 Total Shs'000
(a) Group				
At start of year (as previously reported)	1,157,699	774,036	1,931,735	1,616,501
-reclassification of leasehold land	-	-	-	319,803
As restated	1,157,699	774,036	1,931,735	1,936,304
Transfer between Short-Term and Long-Term business	(27,866)	27,866	-	-
Additions	5,520	10,521	16,041	28,498
Disposals	-	-	-	(39,000)
Exchange Difference	-	5,430	5,430	(901)
Fair value gains (note 3)	8,749	1,443	10,192	6,834
At end of year	1,144,102	819,296	1,963,398	1,931,735
(b) Company				
At start of year (as previously reported)	1,123,399	774,036	1,897,435	1,591,898
-reclassification of leasehold land	-	-	-	319,803
As restated	1,123,399	774,036	1,897,435	1,911,701
Additions	5,520	10,521	16,041	21,621
Disposals	-	-	-	(39,000)
Fair value gains	7,481	1,443	8,924	3,113
At end of year	1,136,400	786,000	1,922,400	1,897,435

15. QUOTED SHARES

	Short-Term Business Shs'000	Long-Term Business Shs'000	2004 Total Shs'000	2003 Total Shs'000
(a) Group				
At start of year	455,880	267	456,147	265,195
Transfer between Short-Term and Long-Term business	(274,107)	274,107	-	-
Additions	213,828	447,707	661,535	94,280
Disposals	(112,103)	(216)	(112,319)	(92,465)
Exchange difference	2,364	3,284	5,648	(3,093)
Fair value gains (note 8 (a))	(116,576)	139,290	22,714	192,230
At end of year	169,286	864,439	1,033,725	456,147
(b) Company				
At start of year	409,741	267	410,008	180,543
Transfer between Short-Term and Long-Term business	(229,546)	229,546	-	-
Additions	213,828	436,721	650,549	78,105
Disposals	(112,103)	(216)	(112,319)	(71,296)
Exchange difference	-	-	-	2,097
Fair value gains (note 8 (b))	(116,191)	139,290	23,099	220,559
At end of year	165,729	805,608	971,337	410,008

The quoted shares are revalued annually at the close of business on 31st December by reference to the stock exchange quoted prices. The market value of the above shares as at 13th April, 2005 was Shs 1,067,642,003 and Shs 1,005,252,725 for Group and Company respectively.

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2004 (CONTINUED)

16. UNQUOTED ORDINARY SHARES

	Short-Term Business Shs'000	Long-Term Business Shs'000	2004 Total Shs'000	2003 Total Shs'000
(a) Group				
At start of year	120,861	184,513	305,374	107,942
Transfer between Short-Term and Long-Term business	162,000	(162,000)	-	-
Additions	-	42,083	42,083	110,124
Transfer from investments in associates	-	-	-	18,777
Exchange difference	509	-	509	(427)
Fair value gain (note 8 (a))	6,537	75,072	81,609	68,958
At end of year	289,907	139,668	429,575	305,374
(b) Company				
At start of year	250,766	184,513	435,279	233,310
Transfer between Short-Term and Long-Term business	162,000	(162,000)	-	-
Additions	-	42,083	42,083	108,478
Transfer from investments in associates	-	-	-	25,362
Fair value gain (note 8 (b))	19,045	75,072	94,117	68,129
At end of year	431,811	139,668	571,479	435,279

17. MORTGAGE LOANS

	Short-Term Business Shs'000	Long-Term Business Shs'000	2004 Total Shs'000	2003 Total Shs'000
(a) Group				
At start of year	25,809	90,812	116,621	108,849
Loans advanced	-	26,000	26,000	54,465
Interest and penalties (net of impairment provisions) (note 3)	2,779	8,420	11,199	51,058
Redemptions/repayments	(12,903)	(67,421)	(80,324)	(95,928)
Exchange difference	3,285	-	3,285	(1,823)
At end of year	18,970	57,811	76,781	116,621
(b) Company				
At start of year	-	90,812	90,812	75,465
Loans advanced	-	26,000	26,000	50,800
Interest and penalties (net of impairment provisions)	-	8,420	8,420	48,356
Redemptions/repayments	-	(67,421)	(67,421)	(83,809)
At end of year	-	57,811	57,811	90,812

18. RECEIVABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

	Short-Term Business Shs'000	Long-Term Business Shs'000	2004 Total Shs'000	2003 Total Shs'000
(a) Group				
Due from:				
-associates	8,495	-	8,495	17,625
-others	127,929	8,705	136,634	109,734
Total	136,424	8,705	145,129	127,359

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2004 (CONTINUED)

18. RECEIVABLES ARISING OUT OF REINSURANCE ARRANGEMENTS (CONTINUED)

	Short-Term Business Shs'000	Long-Term Business Shs'000	2004 Total Shs'000	2003 Total Shs'000
(b) Company				
Due from:				
-associates	8,495	-	8,495	17,625
-subsidiaries	36,691	8,588	45,279	5,941
-others	101,349	8,149	109,498	80,516
Total	146,535	16,737	163,272	104,082

19. GOVERNMENT SECURITIES

(a) Group	Short-Term Business Shs'000	Long-Term Business Shs'000	2004 Total Shs'000	2003 Total Shs'000
Kenya:				
Treasury bills maturing within 91 days of the date of acquisition	30,077	129,679	159,756	222,258
Treasury bills maturing after 91 days of the date of acquisition	176,157	604,321	780,478	367,413
Treasury bonds maturing after 91 days of the date of acquisition	8,417	893,821	902,238	1,187,068
Outside Kenya:				
Treasury bills maturing within 91 days of the date of acquisition	-	-	-	86,850
Treasury bills maturing after 91 days of the date of acquisition	241,144	62,464	303,608	376,483
Total	455,795	1,690,285	2,146,080	2,240,072

(b) Company

Kenya:				
Treasury bills maturing within 91 days of the date of acquisition	30,077	129,679	159,756	222,258
Treasury bills maturing after 91 days of the date of acquisition	176,157	604,321	780,478	354,284
Treasury bonds maturing after 91 days of the date of acquisition	-	893,821	893,821	1,187,068
Outside Kenya:				
Treasury bills maturing after 91 days of the date of acquisition	-	-	-	101,901
Total	206,234	1,627,821	1,834,055	1,865,511

20. CASH AND CASH EQUIVALENTS

	Short-Term Business Shs'000	Long-Term Business Shs'000	2004 Total Shs'000	2003 Total Shs'000
The year-end cash and cash equivalents comprise the following:				
Cash and bank balances	202,267	11,445	213,712	286,659
Short-term deposits with banks	613,100	244,487	857,587	406,797
Bank overdraft	(61,200)	-	(61,200)	(35,417)
Treasury bills maturing within 91 days of the date of acquisition	30,077	129,679	159,756	309,108
Other commercial bonds	9,490	-	9,490	8,930
Total	793,734	385,611	1,179,345	976,077

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2004 (CONTINUED)

21. CREDITORS ARISING OUT OF REINSURANCE ARRANGEMENTS

	Short-Term Business Shs'000	Long-Term Business Shs'000	2004 Total Shs'000	2003 Total Shs'000
(a) Group				
Amount payable to reinsurers	138,390	27,810	166,200	117,725
(b) Company				
Payable to:				
-subsidiaries	42,269	-	42,269	26,669
-others	33,317	11,854	45,171	28,812
Total	75,586	11,854	87,440	55,481

22. PROVISION FOR LIABILITIES AND CHARGES

	Short-Term Business Shs'000	Long-Term Business Shs'000	2004 Total Shs'000	2003 Total Shs'000
(a) Group				
At start of year	1,659	3,739	5,398	4,022
Additional provisions	-	-	-	1,376
Utilised during the year	(1,659)	(3,739)	(5,398)	-
At end of year	-	-	-	5,398
(b) Company				
At start of year	283	3,739	4,022	4,022
Utilised during the year	(283)	(3,739)	(4,022)	-
At end of year	-	-	-	4,022

Provision for liabilities and charges is in respect of termination benefits and business process re-engineering costs.

23. DEFERRED TAX

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2003: 30%). The movement in the deferred income tax account is as follows:

	Short-Term Business Shs'000	Long-Term Business Shs'000	2004 Total Shs'000	2003 Total Shs'000
(a) Group				
At start of year (as previously reported)	149,216	(39)	149,177	93,213
-deferred tax on fair value gains	-	-	-	70,874
As restated	149,216	(39)	149,177	164,087
Income statement charge/(credit)	11,301	(19)	11,282	(16,155)
Exchange adjustment	2,263	-	2,263	1,245
At end of year	162,780	(58)	162,722	149,177

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2004 (CONTINUED)

23. DEFERRED TAX (CONTINUED)

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

	1.1.2004 Shs'000	Charged/ (Credited) to Profit and Loss Shs'000	Exchange adjustment Shs'000	31.12.2004 Shs'000
Fair value gains - investment properties	186,231	2,244	-	188,475
Accelerated depreciation	(8,373)	(206)	-	(8,579)
Provisions	(28,286)	1,949	2,263	(24,074)
Other deductible temporary differences	(395)	7,295	-	6,900
Net deferred tax liability	149,177	11,282	2,263	162,722

	Short-Term Business Shs'000	Long-Term Business Shs'000	2004 Total Shs'000	2003 Total Shs'000
(b) Company				
At start of year (as previously reported)	168,168	-	168,168	109,895
-deferred tax on fair value gains	-	-	-	70,874
As restated	168,168	-	168,168	180,769
Income statement charge/(credit)	11,724	-	11,724	(12,601)
At end of year	179,892	-	179,892	168,168

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

	1.1.2004 Shs'000	Charged/ (Credited) to Profit and Loss Shs'000	31.12.2004 Shs'000
Fair value gains - investment properties	186,231	2,244	188,475
Accelerated depreciation	(11,373)	(206)	(11,579)
Provisions	(5,844)	2,391	(3,453)
Other deductible temporary differences	(846)	7,295	6,449
Net deferred tax liability	168,168	11,724	179,892

The prior year adjustment relates to reclassification of deferred tax on leasehold land following the early adoption of International Accounting Standard 40, Investment Properties (revised 2003), during the year.

24. LOANS TO DIRECTORS

Group and Company

Loans to Directors of the Company and their families are as follows:

	2004 Shs'000	2003 Shs'000
At start of year	-	15
Repayments	-	(15)
At end of year	-	-

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2004 (CONTINUED)

25. DIRECTORS' EMOLUMENTS

Group	As Directors 2004 Shs'000	As Manage- ment 2004 Shs'000	As Directors 2003 Shs'000	As Manage- ment 2003 Shs'000
Emoluments	1,395	30,549	1,838	28,051

26. EARNINGS PER SHARE

Earnings per ordinary share of Shs 5 each are calculated by dividing the net profit attributable to Shareholders by 36 million shares.

Group	2004	2003
Net profit attributable to Shareholders (Shs'000)	240,645	212,761
Number of ordinary shares in issue (thousands)	36,000	36,000
Earnings per share (Shs)-basic and diluted	6.68	5.91

There was no potentially dilutive shares in issue at 31st December, 2004 and 31st December, 2003.

27. WEIGHTED AVERAGE EFFECTIVE INTEREST RATES

Company

In the opinion of the Directors, the carrying amounts of financial assets and liabilities approximate their fair values. The following table summarises the effective interest rates on the principal interest bearing financial assets and liabilities at 31st December:

	2004	2003
	%	%
Government securities	5.53	5.92
Bank deposits	5.71	6.34
Mortgage loans (upto 30 th November, 2003)	-	20 to 24
Mortgage loans (from 1 st December, 2003)	14 to 16	14 to 16
Loans on life insurance policies	10 to 16	10 to 16
Payable under deposit administration contracts	9.50	10.25

28. DIVIDENDS PER SHARE

During the year, an interim dividend of Shs 27 million (2003: Shs 18 million) was paid. At the Annual General Meeting on 21st June, 2005, a final dividend of Shs 63 million (2003: Shs 63 million) is to be proposed bringing the total dividend to Shs 90 million for 2004 (2003: Shs 81 million), which is Shs 2.50 per share (2003: Shs 2.25 per share).

29. LIQUIDITY RISK

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.

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2004 (CONTINUED)

29. LIQUIDITY RISK (CONTINUED)

The following table analyses assets and liabilities into relevant maturity groupings based on the remaining period at 31st December, 2004 to the contractual maturity date:

At 31 st December, 2004 :	Up to 1 month Shs '000	1-3 months Shs'000	3 -12 months Shs'000	1 - 5 years Shs'000	Over 5 years Shs'000	Total Shs'000
ASSETS						
Property and equipment	-	-	-	-	65,156	65,156
Investment properties	-	-	-	-	1,963,398	1,963,398
Quoted shares	-	-	-	-	1,033,725	1,033,725
Unquoted shares	-	-	-	-	429,575	429,575
Investment in associates	-	-	-	-	981,148	981,148
Mortgage loans	973	801	26,596	23,129	25,282	76,781
Commercial bonds	-	9,490	-	-	-	9,490
Loans on life insurance policies	224	3,164	14,787	93,718	54,321	166,214
Government securities	5,392	491,961	840,932	177,728	630,067	2,146,080
Deposits with financial institutions	245,433	175,621	225,254	194,111	17,168	857,587
Receivables arising out of reinsurance arrangements	12,478	132,651	-	-	-	145,129
Receivables arising out of direct insurance arrangements	376,472	54,048	-	-	-	430,520
Reinsurers' share of technical provisions and reserves	6,232	10,463	1,001,703	-	-	1,018,398
Current tax	-	-	17,192	-	-	17,192
Deferred tax	-	-	58	-	-	58
Deferred acquisition costs	888	1,876	51,867	-	-	54,631
Other receivables	115,048	-	-	-	-	115,048
Cash and bank balances	213,712	-	-	-	-	213,712
Total assets	976,852	880,075	2,178,389	488,686	5,199,840	9,723,842
LIABILITIES AND SHAREHOLDERS' FUNDS						
Shareholders' funds	-	-	-	-	2,093,796	2,093,796
Minority interest	-	-	-	-	245,776	245,776
Actuarial value of policyholders' liabilities	-	-	-	-	1,851,767	1,851,767
Payable under deposit administration contracts	-	-	-	-	2,228,738	2,228,738
Unearned premium	8,925	20,945	925,790	-	-	955,660
Outstanding claims	40,577	59,000	1,513,077	-	-	1,612,654
Creditors arising out of reinsurance arrangements	-	166,200	-	-	-	166,200
Other payables	279,274	-	-	-	-	279,274
Dividends payable	65,997	-	-	-	-	65,997
Bank overdraft	61,200	-	-	-	-	61,200
Deferred tax	-	-	-	-	162,780	162,780
Total liabilities and Shareholders' funds	455,973	246,145	2,438,867	-	6,582,857	9,723,842
Net liquidity gap	520,879	633,930	(260,478)	488,686	(1,383,017)	-
At 31st December, 2003 :						
Total assets	1,184,730	437,929	2,040,251	653,702	4,089,348	8,405,960
Total liabilities and Shareholders' funds	685,435	75,812	1,941,781	-	5,702,932	8,405,960
Net liquidity gap	499,295	362,117	98,470	653,702	(1,613,584)	-

The matching and controlled mismatching of the maturities of assets and liabilities is fundamental to the management of the Group. It is unusual for insurance companies to always be completely matched since the business transacted is often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2004 (CONTINUED)

30. CURRENCY RISK

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group had the following significant foreign currency positions (all amounts expressed in Kenya Shillings thousands):

At 31 st December, 2004 :	Uganda Shillings Shs '000	Tanzania Shillings Shs'000	Mauritius Rupees Shs'000	Indian Rupees Shs'000	Total Shs'000
ASSETS					
Property and equipment	19,985	9,518	1,817	972	32,292
Investment properties	796,997	-	-	-	796,997
Quoted shares	14,269	48,120	-	-	62,389
Unquoted shares	3,985	296	-	-	4,281
Investment in subsidiaries	16,748	-	-	-	16,748
Investment in associates	87,215	-	-	-	87,215
Mortgage loans	18,970	-	-	-	18,970
Commercial bonds	9,490	-	-	-	9,490
Government securities	91,186	174,407	38,016	-	303,609
Deposits with financial institutions	139,462	236,437	128,791	-	504,690
Receivables arising out of reinsurance arrangements	557	19,206	50,532	-	70,295
Receivables arising out of direct insurance arrangements	154,355	90,041	23,460	-	267,856
Reinsurers' share of technical provision and reserves	271,400	241,429	199,723	-	712,552
Current tax	811	-	-	-	811
Deferred tax	15,698	1,324	-	-	17,022
Deferred acquisition costs	-	2,691	718	-	3,409
Other receivables	17,518	11,171	952	18,043	47,684
Cash and bank balances	32,510	25,975	2,773	1,212	62,470
Total assets	1,691,156	860,615	446,782	20,227	3,018,780
LIABILITIES AND SHAREHOLDERS' FUNDS					
Shareholders' funds	184,291	129,567	37,830	1,134	352,822
Minority interest	109,098	124,486	12,192	-	245,776
Actuarial value of policyholders' liabilities	12,829	28,815	-	-	41,644
Payable under deposit administration contracts	45,413	7,643	-	-	53,056
Unearned premium	217,858	284,180	7,770	-	509,808
Outstanding claims	181,542	216,704	227,119	-	625,365
Creditors arising out of reinsurance arrangements	100,417	20,613	-	-	121,030
Other payables	76,523	48,311	75,821	19,093	219,748
Current tax	6,956	-	-	-	6,956
Bank overdraft	-	-	4,252	-	4,252
Total liabilities and Shareholders' funds	934,927	860,319	364,984	20,227	2,180,457
Net balance sheet position	756,229	296	81,798	-	838,323
At 31st December, 2003:					
Total assets	1,684,276	743,977	351,427	8,864	2,788,544
Total liabilities and Shareholders' funds	839,269	743,681	269,701	8,864	1,861,515
Net balance sheet position	845,007	296	81,726	-	927,029

CONSOLIDATED LONG-TERM BUSINESS REVENUE ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2004

Class of Insurance Business	Superannuation			2004 Total Shs'000	2003 Total Shs'000
	Ordinary Life Shs'000	Retirement Benefits Fund Shs'000	Other Super- annuation Shs'000		
Gross premium written	210,326	423,262	331,125	964,713	671,118
Schemes transferred	-	41,893	-	41,893	15,382
Total	210,326	465,155	331,125	1,006,606	686,500
Reinsurance ceded	(3,600)	-	(48,193)	(51,793)	(36,745)
Net premium written and deposit administration inflows	206,726	465,155	282,932	954,813	649,755
Policyowners' benefits:					
Claims incurred	109,066	-	12,848	121,914	112,373
Surrenders and annuities paid	38,267	220,304	29,714	288,285	233,897
Total claims, surrenders and annuities paid	147,333	220,304	42,562	410,199	346,270
Commissions (net)	22,688	3,918	(3,103)	23,503	20,395
Expenses of management	131,589	38,050	51,619	221,258	199,648
Total expenses	154,277	41,968	48,516	244,761	220,043
Investment income	71,545	175,743	32,627	279,915	327,632
Increase in funds	(23,339)	378,626	224,481	579,768	411,074
Share of result of associates before tax	21,121	-	23,145	44,266	40,043
Increase in share of revaluation surplus of associates	6,348	-	-	6,348	18,247
Fair value gains on quoted shares	71,791	-	67,499	139,290	48
Fair value gains on unquoted shares	-	37,536	37,536	75,072	76,035
Transfer to profit and loss account	(35,310)	(5,591)	(17,949)	(58,850)	(40,060)
Tax - current year	(6,366)	(1,912)	-	(8,278)	(7,270)
Movement in funds	34,245	408,659	334,712	777,616	498,117
Funds at start of year (as previously reported)	1,008,883	1,827,869	473,573	3,310,325	2,738,917
Reclassification of leasehold land-Company	-	-	-	-	59,436
Reclassification of leasehold land-associates	-	-	-	-	19,248
Deferred tax on fair value gains of investment properties-associates	-	-	-	-	(5,393)
Prior year tax paid under amnesty	-	(11,511)	-	(11,511)	-
As restated	1,008,883	1,816,358	473,573	3,298,814	2,812,208
Translation gain/(loss)	(174)	3,721	528	4,075	-
Funds at end of year	1,042,954	2,228,738	808,813	4,080,505	3,310,325

CONSOLIDATED SHORT-TERM BUSINESS REVENUE ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 2004

Class of Insurance Business	Engineering Shs'000	Fire- Domestic Shs'000	Fire- Industrial Shs'000	Liability Shs'000	Marine Shs'000
Gross premium written	83,137	32,324	380,165	24,985	149,231
Gross unearned premium brought forward	13,355	11,845	163,016	9,889	53,370
Gross unearned premium carried forward	27,342	17,575	177,198	12,048	77,861
Gross earned premium	69,150	26,594	365,983	22,826	124,740
Reinsurance ceded	67,632	15,476	312,703	14,428	91,054
Unearned premium on reinsurance ceded brought forward	8,655	1,572	115,891	6,349	27,653
Unearned premium on reinsurance ceded carried forward	21,716	6,342	133,902	8,696	45,859
Net earned premium	14,579	15,888	71,291	10,745	51,892
Gross claims paid	9,035	3,089	124,417	4,327	44,752
Gross outstanding claims carried forward	14,156	7,484	330,417	35,387	37,886
Gross outstanding claims brought forward	14,738	2,668	44,073	31,773	49,108
Gross incurred claims	8,453	7,905	410,761	7,941	33,530
Reinsurance recovery on:					
Claims paid	9,759	14	95,626	623	19,511
Outstanding claims carried forward	7,043	3,120	255,305	7,977	16,034
Outstanding claims brought forward	10,852	52	19,140	9,123	28,361
Reinsurance claims recovered/recoverable	5,950	3,082	331,791	(523)	7,184
Net incurred claims	2,503	4,823	78,970	8,464	26,346
Commission on gross premium	10,014	4,130	47,228	2,033	21,759
Commission on reinsurance ceded	15,662	1,670	45,251	1,534	25,892
Expenses of management	11,727	6,409	61,292	5,572	30,844
Total expenses	6,079	8,869	63,269	6,071	26,711
Underwriting profit/(loss)	5,997	2,196	(70,948)	(3,790)	(1,165)

CONSOLIDATED SHORT-TERM BUSINESS REVENUE ACCOUNT

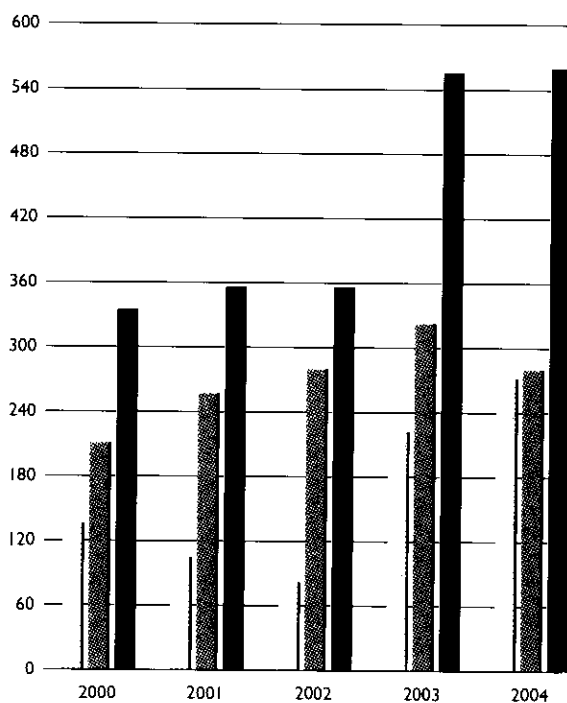
FOR THE YEAR ENDED 31ST DECEMBER 2004 (CONTINUED)

Motor Shs'000	Personal Accident Shs'000	Theft Shs'000	Workmen's Com- pensation Shs'000	Misce- llaneous Shs'000	2004 Total Shs'000	2003 Total Shs'000
726,773	252,757	91,977	85,565	183,449	2,010,363	1,749,397
310,065	29,276	26,112	22,941	62,075	701,944	760,716
437,200	50,501	32,347	30,608	92,980	955,660	701,944
599,638	231,532	85,742	77,898	152,544	1,756,647	1,808,169
48,786	22,400	51,817	30,285	63,684	718,265	614,925
2,545	3,511	15,149	7,297	16,630	205,252	347,105
114,815	7,075	14,938	12,572	36,208	402,123	205,252
663,122	212,696	33,714	52,888	108,438	1,235,253	1,051,391
283,799	143,362	33,269	32,130	60,672	738,852	769,066
654,143	52,046	50,066	145,354	160,705	1,487,644	1,052,701
574,666	38,371	36,031	136,289	124,984	1,052,701	1,043,386
363,276	157,037	47,304	41,195	96,393	1,173,795	778,381
31,733	2,118	19,850	7,661	19,185	206,080	231,053
91,636	8,042	15,144	11,418	80,278	495,997	303,866
139,315	1,251	12,767	15,567	67,438	303,866	325,913
(15,946)	8,909	22,227	3,512	32,025	398,211	209,006
379,222	148,128	25,077	37,683	64,368	775,584	569,375
80,462	12,448	7,057	9,659	37,688	232,478	274,468
16,276	4,242	10,101	5,361	35,913	161,902	216,124
161,923	59,211	18,352	18,648	32,942	406,920	390,136
226,109	67,417	15,308	22,946	34,717	477,496	448,480
57,791	(2,849)	(6,671)	(7,741)	9,353	(17,827)	33,536

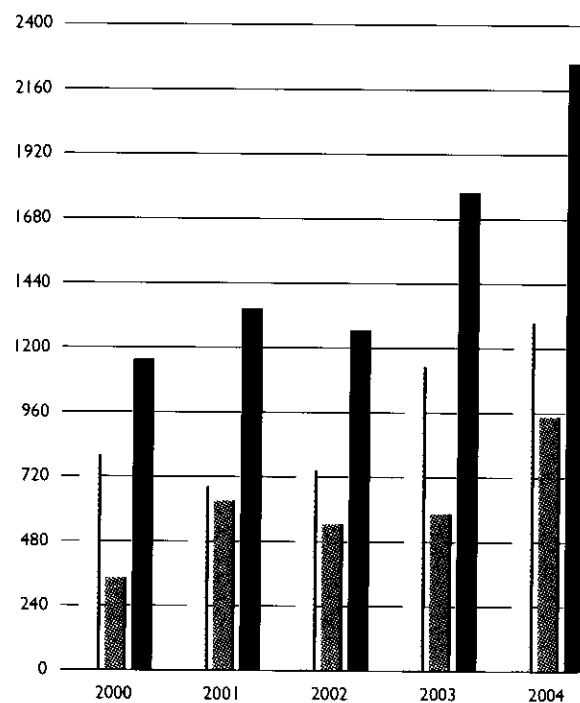
GROUP FINANCIAL HIGHLIGHTS

(Shs million)

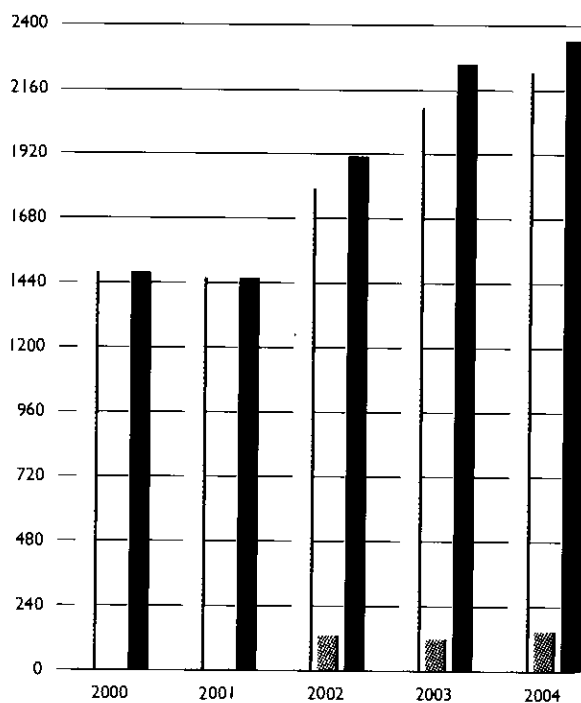
Investment Income



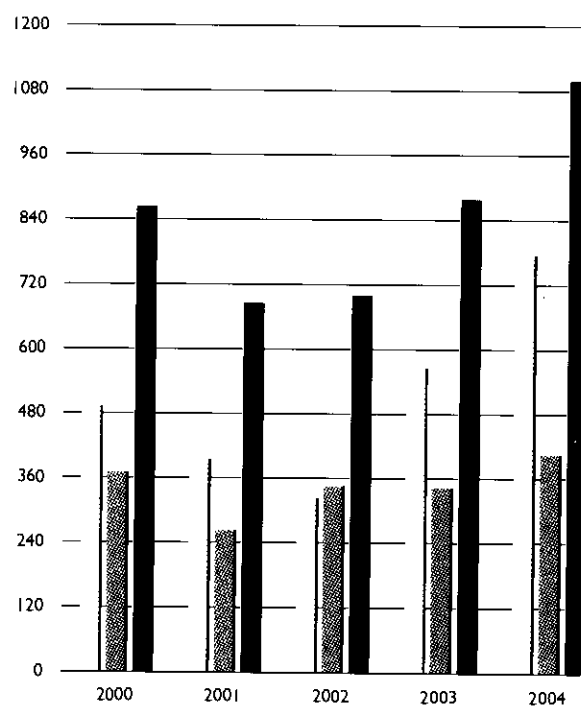
Net Premium Income



Total Net Assets



Net Claims Incurred



Short-Term

Long-Term

Total

GROUP REVIEW - TEN YEARS

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
	Shs million									
Shareholders' Funds	2,094	2,029	1,711	1,555	1,619	1,809	1,804	1,374	1,189	1,141
Share Capital	180	180	180	180	180	180	180	150	150	125
Long-Term Business Funds	4,081	3,310	2,812	2,474	2,018	2,117	2,043	1,839	1,461	1,225
Total Assets	9,724	8,406	6,629	5,649	5,201	5,308	5,020	4,390	3,523	3,123
Total Investment Income	558	552	359	359	355	418	492	415	302	226
Profit Before Tax	359	313	213	170	117	139	206	192	163	126
Profit Attributable to Shareholders	241	213	164	121	78	94	144	134	94	81
Dividends to Shareholders	90	81	63	63	63	63	63	53	53 **	44
Dividend Cover Ratio	2.68	2.63	2.61	1.92	1.24	1.50	2.28	2.56	1.57	1.86
Bonus Issue	-	-	-	-	-	-	1:5	-	1:5	-
* Earnings Per Share (Shs) (par value Shs 5)	6.68	5.91	4.57	3.37	2.17	2.62	4.00	3.73	2.62	2.26

* Earnings per share has been calculated on 36 million shares for all the years.

** Does not include the special additional dividend of Shs 7.5 million in commemoration of the Company's 60th anniversary.

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