

TABLE OF CONTENTS



| | |
|---|----|
| Group Information | 2 |
| Board of Directors | 4 |
| Notice of the Annual General Meeting | 7 |
| Chairman's Statement | 8 |
| Report of the Directors | 10 |
| Statement of Directors' Responsibilities | 11 |
| Corporate Governance Statement | 12 |
| Report of the Independent Auditors | 13 |
| Financial Statements | |
| Consolidated Profit and Loss Account | 15 |
| Consolidated Balance Sheet | 16 |
| Company Balance Sheet | 18 |
| Consolidated Statement of Changes in Equity | 20 |
| Company Statement of Changes in Equity | 21 |
| Consolidated Cash Flow Statement | 22 |
| Notes to the Financial Statements | 23 |
| Group Review - Ten Years | 56 |

CMA - Ke Library



AR0486

HG
82034
- 219
1999/06
2005
C.

1 Jubilee Insurance - Kenya - 300000000
2 Insurance - Kenya - 100000000

GROUP INFORMATION

| CAPITAL AND RESERVES | Shs '000 |
|-----------------------------|-----------------|
| Authorised Capital | 200,000 |
| Issued Capital | 180,000 |
| Paid-up Capital | 180,000 |
| Reserves | 2,190,417 |

REGISTERED OFFICE

Jubilee Insurance House
Wabera Street
P.O. Box 30376
00100 - GPO
Nairobi, Kenya
Telephone: 328 1000
Telefax: 328 1150
E-mail: jic@jubileekenya.com
Website: www.jubileeholdings.com

SUBSIDIARIES

- The Jubilee Investments Company Limited (75%)
- Jubilee Financial Services Limited (100%)
- Jubilee Insurance (Mauritius) Ltd (77.50%)
- The Jubilee Insurance Company of Kenya Limited (100%)
- The Jubilee Insurance Company of Uganda Limited (56.25%)
- The Jubilee Insurance Company of Tanzania Limited (51%)
- Thillai Software Private Limited (100%)

ASSOCIATES

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

INDEPENDENT AUDITORS

PricewaterhouseCoopers

CORPORATE LAWYERS

Daly & Figgis Advocates

2007/0486

PRINCIPAL BANKERS

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

Reaching greater heights



BOARD OF DIRECTORS



Nizar N Juma
CHAIRMAN



Sultan A Alfana *
(APPOINTED ON 07/04/2006)



Amin M Dato



John D Harris **
(RESIGNED ON 30/12/2005)



Lutf R Kassam
(APPOINTED ON 07/04/2006)



Sultan K Khimji



Frederic A Lucien ***
(RESIGNED ON 31/12/2005)

BOARD OF DIRECTORS



Joseph M Mugwe



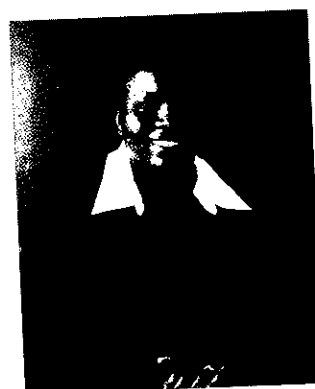
Zulfikar K Mohamed****



Tom D Owuor



Salim A Talib



Margaret M Kipchumba
COMPANY SECRETARY

Key

■ Audit and Compliance Committee

■ Finance Committee

▲ Nominating & Senior Management
Remuneration Committee

* Pakistani ** British ***French ****Canadian

Regional presence

- Kenya
- Uganda
- Tanzania



Lake Manyara Serena Safari Lodge, Tanzania



Jubilee Insurance Centre, Uganda



Uganda Securities Exchange



NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the Sixty-eighth Annual General Meeting of the Shareholders will be held at the Nairobi Serena Hotel, Kenyatta Avenue, on Monday, 26th June, 2006 at 11.00 a.m. to transact the following:

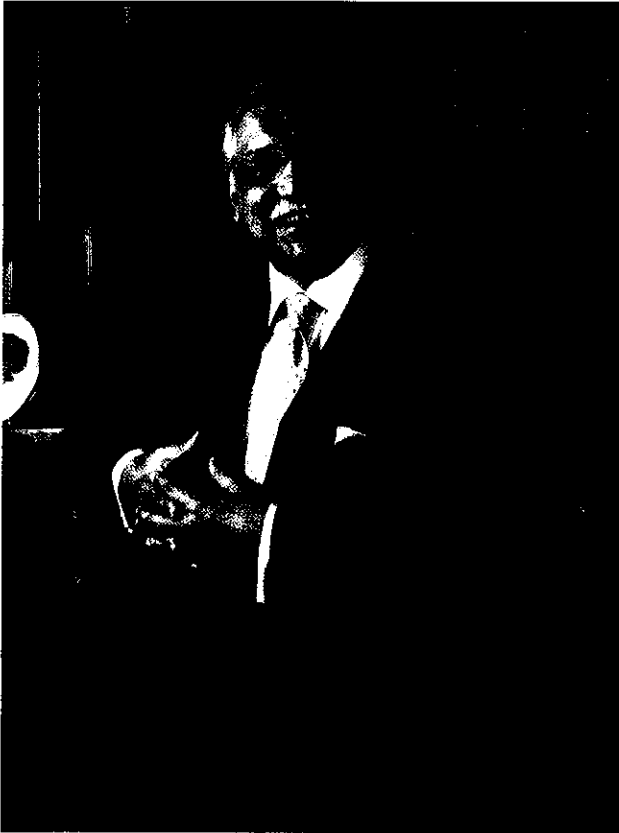
ORDINARY BUSINESS

1. To consider and, if thought fit, to adopt the Accounts for the year ended 31st December, 2005, 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 7th October, 2005 and approve the payment of a final dividend of 65% on the issued and paid-up capital of the Company on or about 14th July, 2006 to the Shareholders registered as at 26th June, 2006.
3. To elect Directors in accordance with the Company's Articles of Association.
4. To approve Directors' remuneration.
5. To authorise the Directors to fix the Independent Auditors' remuneration.

By order of the Board

M M Kipchumba
Company Secretary
Nairobi, Kenya
7th April, 2006

CHAIRMAN'S STATEMENT



Dear Shareholders,

It gives me great pleasure to present the results of yet another very successful year during which your Company posted a record profit.

KENYAN ECONOMY

The country's GDP grew by 5.8% in 2005, up from 4.9% in 2004. The growth was attributed to improved performance in the tourism, telecommunications, energy and construction sectors. Interest rate on the 91 day benchmark treasury bill remained stable at 8% during the year. In 2005, the Kenya shilling strengthened against the US dollar from 78.65 at the beginning of the year to 72.45 at year-end. However, bearing heavily on the economic achievement was the devastating prolonged drought, high crude oil prices and dilapidated infrastructure.

CORPORATE RESTRUCTURING

Following your approval to the corporate restructure and gazette-ment by the Minister for Finance approving the transfer of the long term and general insurance business of The Jubilee Insurance Company Limited (now Jubilee Holdings Limited) to The Jubilee Insurance Company of Kenya Limited (Jubilee Kenya), I am pleased to inform you that all legal formalities to effect the said transfer and change of name have been completed.

This brings to an end many months of strategy formulation, deliberations and negotiations and heralds a new beginning for both Jubilee Holdings Limited and Jubilee Kenya. For Jubilee Holdings Limited, the restructure is the first, amongst many steps, in transforming the Company into a more profitable, dynamic, innovative and growing insurance based Integrated Financial Services Group. For Jubilee Kenya, the baton of transacting insurance business lies securely in her hand. Although young, Jubilee Kenya is grounded on the same ethical values of hard work, honesty and integrity that have propelled the parent company (Jubilee Holdings Limited) from strength to strength for over 68 years and is backed by the same competent, dedicated and highly professional team.

The new structure will enable the Group to further consolidate and rationalise the shareholding of its subsidiaries in Uganda and Tanzania.

FINANCIAL PERFORMANCE

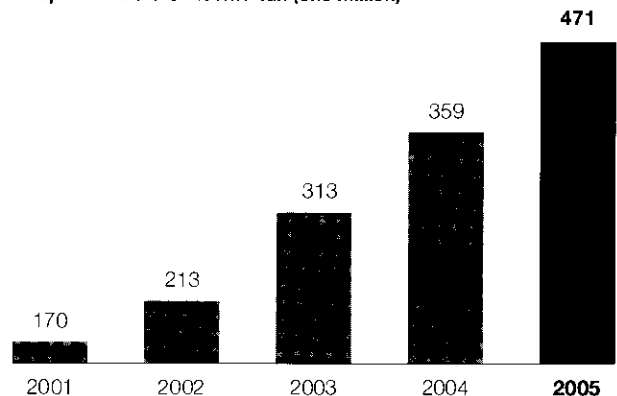
The Group Profit Before Tax increased by 31.2% to reach Shs 470.7 million from Shs 358.9 million achieved in 2004. The 2005 stellar performance is attributed to a record growth of our medical and pension business in addition to a robust investment performance and excellent results of our Kenyan, Ugandan and Tanzanian insurance subsidiaries.

Based on the increased profit, I am delighted to report that your Board has recommended a significantly higher record dividend payout for the year of 80% - Shs 4.00 per share (2004: 50% - Shs 2.50 per share). An interim dividend of 15% (Shs 0.75 per share) was paid on 7th October, 2005. The Board is seeking your approval for a final dividend of 65% (Shs 3.25 per share).

GENERAL INSURANCE PERFORMANCE

The consolidated gross premium written in 2005 recorded a 40.5% growth to reach Shs 2,824.3 million (2004: Shs 2,010.4 million). Growth of medical and motor business was the primary contributor to this increase with Jubilee Kenya becoming the largest corporate medical insurance underwriter in Kenya.

Group Profit Before Income Tax (Shs million)



CHAIRMAN'S STATEMENT

(CONTINUED)

The Group recorded an overall underwriting profit of Shs 13.6 million against an underwriting loss of Shs. 17.8 million in 2004.

LIFE INSURANCE PERFORMANCE

The total 2005 premium written and deposit administration inflows increased by 16.2% to reach Shs 1,169.4 million (2004: Shs 1,006.6 million). The increase was mainly due to growth of deposit administration and post retirement annuity business.

Jubilee Kenya declared a net rate of 10.5% (2004: 9.5%) to be credited to pension funds invested in the Guaranteed Fund. This net rate, we believe, will once again be one of the highest among leading insurers in Kenya. Jubilee Uganda and Jubilee Tanzania similarly declared a net rate of 12.5% and 10% respectively.

The Long-Term business funds at the end of the year exceeded the Shs 5.0 billion mark to reach Shs 5,115.2 million (2004: Shs 4,080.5 million), representing a 25.4% increase.

CROSS LISTING ON THE UGANDA SECURITIES EXCHANGE

It gives me great pleasure to inform you that in addition to the primary listing on the Nairobi Stock Exchange, your Company is now listed on the Uganda Securities Exchange (USE). This followed approval by the Capital Markets Authority in Uganda and the USE. The Company's shares started trading on the USE from 14th February, 2006. This move is expected to enhance your Company's profile as a truly East African Company, broaden shareholder base, grow the customer base for Jubilee Uganda and possibly provide arbitrage opportunities for Shareholders. Your Company is the first insurance-based Group and the third Kenyan company to cross-list on the USE.

Management has initiated the process of cross listing the Company's shares on the Dar es Salaam Stock Exchange in Tanzania, which will further reinforce our status as a key regional player.

ISO CERTIFICATION

In 2005, Jubilee Holdings Limited together with its insurance subsidiaries, Jubilee Kenya, Jubilee Uganda and Jubilee Tanzania, successfully achieved ISO 9001:2000 certification. This adds another feather to our cap and is testament of the Group's firm commitment to excellence in customer service delivery backed by quality management systems, which are internationally recognized.

On behalf of the Boards of the four companies, I wish to commend the entire management team and staff of the companies for the hard work and dedicated effort in achieving the certification.

BOARD

The Directors who held office during the year are listed on page 10. Mr John D Harris and Mr Frederic A Lucien resigned from the Board at the end of the year. I would like to convey our sincere appreciation to Messrs Harris and Lucien, for their dedicated and valuable service to the Company. We wish them every success in their future endeavours.

The Board, on 7th April, 2006, appointed Mr Sultan A Allana and Mr Lutaf R Kassam as Directors. Mr Allana joins the Board from the banking and financial industry with a career spanning over 20 years with various leading banks and financial institutions in Pakistan. He is currently the Chairman of Habib Bank Limited. Mr Kassam is the Group Managing Director of Industrial Promotion Services (Kenya) Limited, which is involved in the industrial development of various economic sectors such as agro-industrial, printing and packaging, specialised textiles, infrastructure, pharmaceutical and leather. I welcome both Directors to the Board and look forward to their valuable contribution.

OUTLOOK

The roll out of innovative, customised and demand driven new products regionally is expected to contribute to significant new business growth in 2006. Jubilee's investment strategy of portfolio diversification with increasing investment stake in core insurance business regionally is expected to produce sound investment performance. I am confident that with our growing organizational capabilities and improved customer relationships, the Group will undoubtedly enhance its performance and shareholder value further in 2006.

APPRECIATION

On behalf of the Board, I would like to thank all our business partners and particularly intermediaries and customers for their continued loyal support, which has enabled Jubilee to achieve the excellent results. I would also like to thank staff throughout the region who have continued to render excellent service to the Group. Last but not least, I would like to acknowledge with appreciation my colleagues on the Board for their diligence, guidance and support.

Nizar N Juma

Chairman
7th April, 2006

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31st December, 2005 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 through its subsidiaries The Jubilee Insurance Company of Kenya Limited, The Jubilee Insurance Company of Uganda Limited and The Jubilee Insurance Company of Tanzania Limited transacts general and long term insurance business. It also has interests in an investment company in Uganda (The Jubilee Investments Company Limited), a fund management company in Kenya (Jubilee Financial Services Limited) and an IT company in India (Thillai Software Private Limited).

RESULTS

The Group returned record profits during the year. The following is the summary of results for the year 2005:

| | 2005 | 2004 |
|--|----------------|----------------|
| | Shs'000 | Shs'000 |
| Group profit before income tax | 470,726 | 358,882 |
| Income tax expense | 75,610 | 82,296 |
| Group profit after income tax | 395,116 | 276,586 |
| Minority interest | 47,345 | 35,941 |
| Profit attributable to Shareholders | 347,771 | 240,645 |

DIVIDEND

An interim dividend of Shs 0.75 per share amounting to Shs 27 million (2004: Shs 27 million) was paid to Shareholders on 7th October, 2005. The Directors recommend a final dividend of Shs 3.25 per share amounting to Shs 117 million (2004: Shs 63 million) for approval by the Shareholders. The total dividend for the year represents 80% (2004: 50%) of the issued share capital as at 31st December, 2005.

DIRECTORS

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

Nizar N Juma (Chairman)

Sultan A Allana * (Appointed on 7th April, 2006)

Amin M Dato

John D Harris ** (Resigned on 30th December, 2005)

Lutaf R Kassam (Appointed on 7th April, 2006)

Sultan K Khimji

Frederic A Lucien *** (Resigned on 31st December, 2005)

Joseph M Mugwe

Zulfikar K Mohamed ****

Tom D Owuor

Salim A Talib

* Pakistani ** British ***French ****Canadian

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

7th April, 2006

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 Group's profit or loss 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 of the Group's profit. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Nizar N Juma

Chairman

Zulfikar K Mohamed

Director

7th April, 2006

CORPORATE GOVERNANCE STATEMENT

The Board of Directors is accountable to Shareholders and stakeholders for not only the financial performance of the Company but also for the manner in which that performance is achieved. It is with this in mind that the Board continually evaluates itself against the guidelines on corporate governance practices for public listed companies in Kenya, issued by the Capital Markets Authority and subscribes to generally accepted best practices on corporate governance.

BOARD OF DIRECTORS

The role of the Board is to offer strategic direction and be ultimately responsible for the functioning of the Company. During the year, the Board met four times including once with managers to receive feedback on and to evaluate performance against business strategies and objectives rolled-out in the previous year and to agree on plans to achieve objectives set for the current year. The Directors who held office during the year and up to the date of this report are listed on page 10.

The Board has reserved certain matters for its decision but has delegated specific mandates to the committees shown on page 5 which assist in providing detailed attention to specific areas of expertise. In the year under review, the committees met as per their defined terms of reference and reported to the Board. Committee mandates are regularly reviewed and are currently being revised to take into account the Company's corporate structure.

DIRECTORS' EMOLUMENTS

The Nominating and Senior Management Remuneration Committee of the Board is established to inter alia, review the Company's remuneration policy to ensure that salaries and service contracts of Executive Directors and senior management are competitively structured and linked to performance. The Committee comprises of Non-Executive and Independent Directors as shown on page 5.

The Non-Executive Directors avail themselves to attend Board and Committee meetings. Accordingly, for services rendered to the Company, the Directors are paid fees as approved by Shareholders at the Annual General Meeting. The aggregate amount of emoluments paid to Directors in the year under review is shown in note 17 on page 42 of the financial statements. At no time during the year was there any business contract or arrangement between the Company and any of the Non-Executive Directors nor were there any loans disbursed to them.

SHAREHOLDER RELATIONS

The Company's investor communication policy hinges on equal treatment of all Shareholders and is consistent with regulatory requirements. Accordingly, half yearly and annual results along with any material information is released to Shareholders and the investing community through the Nairobi Stock Exchange and local mainstream media within the prescribed period. The Company recently cross-listed its shares on the Uganda Securities Exchange (USE) and will ensure that equivalent information is made available to the USE at the same time it is released in the primary market. Shareholders domiciled overseas can also access information released in the primary market through the Company's corporate website www.jubileeholdings.com.

Shareholders have direct access to the Company through the in-house registry and all queries are responded to in a timely and satisfactory manner. All Shareholders are encouraged to participate and vote in General Meetings either in person or through proxies and are given opportunity to raise materially relevant questions on the Company's performance and receive explanation from the Directors and/or management.

DIRECTORS' INTEREST IN THE SHARES OF THE COMPANY AS AT 31ST DECEMBER 2005

| Name | Number of shares held |
|--|-----------------------|
| 1. Mr Zulfikar K Mohamed | 6,640 |
| 2. Mr Amin M Dattoo | 1,098 |
| 3. Mr Sultan K Khimji (including shares held by his family and company in which he has an interest) | 15,591 |

DISTRIBUTION OF SHAREHOLDERS AS AT 31ST DECEMBER 2005

| Number of shares | Number of shareholders | Number of shares held | % Shareholding |
|---------------------|------------------------|-----------------------|----------------|
| Less than 500 | 678 | 162,913 | 0.45 |
| 501 – 5,000 | 3,991 | 6,599,126 | 18.33 |
| 5,001 – 10,000 | 398 | 2,815,206 | 7.82 |
| 10,001 – 100,000 | 316 | 7,224,794 | 20.07 |
| 100,001 – 1,000,000 | 12 | 3,532,331 | 9.81 |
| Over 1,000,000 | 2 | 15,665,630 | 43.52 |
| Total | 5,397 | 36,000,000 | 100.00 |

LIST OF 10 LARGEST SHAREHOLDERS AS AT 31ST DECEMBER 2005

| 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 | 1,991,084 | 5.53 |
| 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. Craysell Investment Limited | 350,000 | 0.97 |
| 7. Jamal Karim | 336,259 | 0.94 |
| 8. Estate of Jafferli A Meghji | 262,440 | 0.73 |
| 9. Noorali Rashid Sayani and Gulshan Noorali Sayani | 180,072 | 0.50 |
| 10. Mahendra Krishnalal Adalja | 142,000 | 0.39 |
| Total | 18,721,633 | 52.00 |

REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF JUBILEE HOLDINGS LIMITED

We have audited the financial statements of Jubilee Holdings Limited (the Company) and its subsidiaries (together, the Group) for the year ended 31st December, 2005, set out on pages 15 to 54.

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

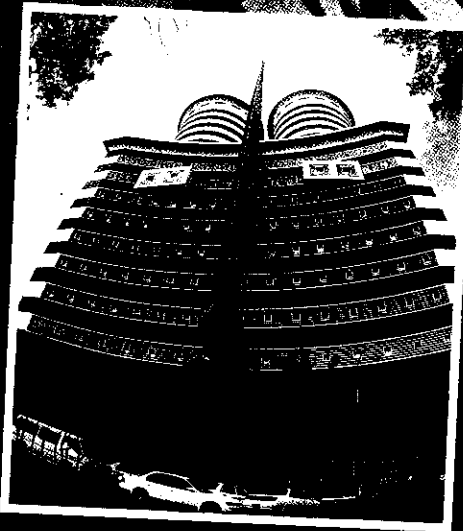
In our opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of the financial affairs of the Group and of the Company as at 31st December, 2005 and of the profit and cash flows of the Group for the year then ended in accordance with International 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

7th April, 2006



Nation Centre



Tsavo Power Plant



Kenya Litho

Our financial strength

provides peace of mind to all our stakeholders

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FDR THE YEAR ENDED 31ST DECEMBER 2005

| Notes | 2005 Shs '000 | 2004 Shs '000 |
|--|------------------|------------------|
| Gross earned premium | 3,002,299 | 2,298,098 |
| Less: Outward reinsurance | 852,453 | 573,187 |
| Net insurance premium revenue | 2,149,846 | 1,724,911 |
| Investment income | 999,553 | 558,097 |
| Fair value gains on equity investments | 131,211 | 214,362 |
| at fair value through profit and loss | 207,462 | 172,657 |
| Commission earned | 1,338,226 | 945,116 |
| Other income | 1,488,072 | 2,670,027 |
| Total income | 2,271,071 | 1,921,810 |
| Claims and policyholders' benefits payable | 347,434 | 421,636 |
| Insurance claims recoverable from reinsurers | 1,923,637 | 1,500,174 |
| Net insurance benefits and claims | 9 | 9 |
| Operating and other expenses | 791,607 | 683,084 |
| Commission payable | 392,484 | 266,736 |
| Total expenses | 1,184,091 | 949,820 |
| Result of operating activities | 380,344 | 220,033 |
| Share of result of associates before income tax | 90,382 | 138,849 |
| Group profit before income tax | 470,726 | 358,882 |
| Income tax expense | 75,610 | 82,296 |
| Profit for the year | 395,116 | 276,586 |
| Attributable to: | 347,771 | 240,645 |
| Equityholders of the Group | 47,345 | 35,941 |
| Minority interest | 395,116 | 276,586 |
| Total | 347,771 | 240,645 |
| Earnings per share attributable to the equityholders: | 9.68 | 6.68 |
| Basic and diluted | 28 | 28 |
| Dividends: | 27,000 | 27,000 |
| Interim - paid | 117,000 | 63,000 |
| Final - proposed | 144,000 | 90,000 |
| Total | 27,000 | 27,000 |

The notes on pages 23 to 54 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER 2005

| | Notes | 2005 Shs'000 | 2004 Shs'000 |
|--|-------------|-------------------|------------------|
| CAPITAL EMPLOYED | | | |
| Share capital | 13 | 180,000 | 180,000 |
| Fair value reserves | 14 (a) | 222,919 | 155,263 |
| General reserves | 14 (a) | 70,000 | 70,262 |
| Translation reserves | 14 (a) | (43,920) | 4,886 |
| Retained earnings | | 1,824,418 | 1,620,385 |
| Proposed dividends | 33 | 117,000 | 63,000 |
| Minority interest | | 258,211 | 245,776 |
| Total capital and reserves | | 2,628,628 | 2,339,572 |
| REPRESENTED BY: | | | |
| ASSETS | | | |
| Property and equipment | 18 (a) | 69,111 | 65,156 |
| Investment properties | 19 (a) | 1,890,636 | 1,963,398 |
| Financial assets | | | |
| Investment in associates | 16 (i) (a) | 838,897 | 981,148 |
| Unquoted shares | 21 (a) | 668,276 | 429,575 |
| Quoted shares | 20 (a) | 1,599,055 | 1,033,725 |
| Mortgage loans | 22 (i) (a) | 55,356 | 76,781 |
| Commercial bonds | | 368,038 | 9,490 |
| Loans on life insurance policies | 22 (ii) (b) | 163,898 | 166,214 |
| Government securities held to maturity | 25 (a) | 3,252,035 | 2,146,080 |
| Deposits with financial institutions | 26 | 547,877 | 857,587 |
| Other assets | | | |
| Receivables arising out of reinsurance arrangements | | 264,142 | 145,129 |
| Receivables arising out of direct insurance arrangements | | 639,162 | 430,520 |
| Reinsurers' share of technical provisions and reserves | 23 | 763,428 | 1,018,398 |
| Deferred acquisition costs | 24 (a) | 82,477 | 54,631 |
| Other receivables | | 187,465 | 115,048 |
| Deferred income tax | 27 (a) | 20,928 | 58 |
| Current income tax | | 22,122 | 17,192 |
| Cash and bank balances | 26 | 157,801 | 213,712 |
| Total assets | | 11,590,704 | 9,723,842 |

CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER 2005 (CONTINUED)

| | Notes | 2005 Shs'000 | 2004 Shs'000 |
|---|--------|------------------|------------------|
| LIABILITIES | | | |
| Insurance contract liabilities | 30 | 3,793,225 | 3,464,421 |
| Payable under deposit administration contracts | 15 (a) | 2,928,248 | 2,228,738 |
| Provision for unearned premium | 32 | 1,193,168 | 955,660 |
| Creditors arising out of reinsurance arrangements | | 179,296 | 166,200 |
| Other payables | | 570,307 | 279,274 |
| Deferred income tax | 27 (a) | 164,242 | 162,780 |
| Current income tax payable | | 30,098 | - |
| Dividends payable | | 74,317 | 65,997 |
| Bank overdraft | | 25,190 | 61,200 |
| Total liabilities | | 8,962,078 | 7,384,270 |
| Net assets | | 2,628,628 | 2,339,572 |

The financial statements on pages 15 to 54 were approved by the Board of Directors on 7th April, 2006 and signed on its behalf by:

Nizar N Juma
Chairman

Zulfikar K Mohamed
Director

COMPANY BALANCE SHEET

AS AT 31ST DECEMBER 2005

| | Notes | 2005 Shs'000 | Restated 2004 Shs'000 |
|--|--------------|------------------|-----------------------------|
| CAPITAL EMPLOYED | | | |
| Share capital | 13 | 180,000 | 180,000 |
| Fair value reserves | 14 (b) | 227,643 | 212,828 |
| General reserves | 14 (b) | 70,000 | 70,000 |
| Retained earnings | | 1,205,135 | 1,284,384 |
| Proposed dividends | 33 | 117,000 | 63,000 |
| Shareholders' funds | | 1,799,778 | 1,810,212 |
| REPRESENTED BY: | | | |
| ASSETS | | | |
| Property and equipment | 18 (b) | - | 32,858 |
| Investment properties | 19 (b) | 726,000 | 1,922,400 |
| Financial assets | | | |
| Investment in subsidiaries | 16 (iii) | 621,875 | 331,875 |
| Investment in associates | 16 (i) (b) | - | 618,739 |
| Unquoted shares | 21 (b) | 351,213 | 577,784 |
| Quoted shares | 20 (b) | - | 971,337 |
| Mortgage loans | 22 (i) (b) | - | 57,811 |
| Commercial bonds | | 144,900 | - |
| Loans on life insurance policies | 22 (iii) (b) | - | 166,214 |
| Government securities held to maturity | 25 (b) | - | 1,834,055 |
| Deposits with financial institutions | | 7,097 | 275,520 |
| Other assets | | | |
| Receivables arising out of reinsurance arrangements | | - | 163,272 |
| Receivables arising out of direct insurance arrangements | | - | 162,664 |
| Reinsurers' share of technical provisions and reserves | | - | 305,846 |
| Deferred acquisition costs | 24 (b) | - | 51,222 |
| Other receivables | | 288,226 | 220,899 |
| Current income tax | | 21,307 | 21,846 |
| Cash and bank balances | | 980 | 153,144 |
| Total assets | | 2,161,598 | 7,867,486 |

COMPANY BALANCE SHEET

AS AT 31ST DECEMBER 2005 (CONTINUED)

| | Notes | 2005 Shs'000 | Restated 2004 Shs'000 |
|---|--------|------------------|-----------------------------|
| LIABILITIES | | | |
| Insurance contract liabilities | | | 2,794,985 |
| Payable under deposit administration contracts | 15 (b) | | 2,178,108 |
| Provision for unearned premium | | | 445,852 |
| Creditors arising out of reinsurance arrangements | | | 87,440 |
| Other payables | | 180,099 | 248,052 |
| Deferred income tax | 27 (b) | 107,036 | 179,892 |
| Dividends payable | | 74,317 | 65,997 |
| Bank overdraft | | 368 | 56,948 |
| Total liabilities | | 361,820 | 6,057,274 |
| Net assets | | 1,799,778 | 1,810,212 |

The financial statements on pages 15 to 54 were approved by the Board of Directors on 7th April, 2006 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 2005

ATTRIBUTABLE TO EQUITYHOLDERS OF THE COMPANY

| | Notes | Share Capital | Fair Value | General | Translation | Retained | Proposed | Minority | Total |
|--|--------|----------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| | | Shs'000 | Reserves Shs'000 | Reserves Shs'000 | Reserves Shs'000 | Earnings Shs'000 | Dividends Shs'000 | Interest Shs'000 | Shs'000 |
| Year ended 31st December, 2004 | | | | | | | | | |
| At start of year | | 180,000 | 265,649 | 70,161 | (19,345) | 1,469,740 | 63,000 | 214,225 | 2,243,430 |
| Fair value loss on available-for-sale financial assets | 14 (a) | - | (110,386) | - | - | - | - | - | (110,386) |
| Translation gain (net) | 14 (a) | - | - | - | 24,231 | - | - | - | 24,231 |
| General reserves | 14 (a) | - | - | 101 | - | - | - | - | 101 |
| Share of reserves of subsidiaries | | - | - | - | - | - | - | (4,390) | (4,390) |
| Profit for the year | | - | - | - | - | 240,645 | - | 35,941 | 276,586 |
| Dividends: - Final for 2003 paid | 33 | - | - | - | - | - | (63,000) | - | (63,000) |
| - Interim for 2004 paid | | - | - | - | - | (27,000) | - | - | (27,000) |
| - Final for 2004 proposed | 33 | - | - | - | - | (63,000) | 63,000 | - | - |
| At end of year | | 180,000 | 155,263 | 70,262 | 4,886 | 1,620,385 | 63,000 | 245,776 | 2,339,572 |
| Year ended 31st December, 2005 | | | | | | | | | |
| At start of year | | 180,000 | 155,263 | 70,262 | 4,886 | 1,620,385 | 63,000 | 245,776 | 2,339,572 |
| Fair value gain on available-for-sale financial assets | 14 (a) | - | 67,656 | - | - | - | - | - | 67,656 |
| Translation loss (net) | 14 (a) | - | - | - | (48,806) | - | - | - | (48,806) |
| General reserves | 14 (a) | - | - | (262) | - | 262 | - | - | - |
| Share of reserves of subsidiaries | | - | - | - | - | - | - | (34,910) | (34,910) |
| Profit for the year | | - | - | - | - | 347,771 | - | 47,345 | 395,116 |
| Dividends: - Final for 2004 paid | 33 | - | - | - | - | (27,000) | (63,000) | - | (63,000) |
| - Interim for 2005 paid | 33 | - | - | - | - | (117,000) | - | - | (117,000) |
| - Final for 2005 proposed | 33 | - | - | - | - | (117,000) | 117,000 | - | - |
| At end of year | | 180,000 | 222,919 | 70,000 | (43,920) | 1,824,418 | 117,000 | 258,211 | 2,628,628 |

The notes on pages 23 to 54 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2005

| | 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 |
|--|--------|--------------------------|--------------------------------|-----------------------------|---------------------------------|------------------------------|-------------------------------|------------------|
| Year ended 31st December, 2004 | | | | | | | | |
| At start of year (as previously reported) | | 180,000 | 292,071 | 70,000 | 32,266 | 1,027,602 | 63,000 | 1,664,939 |
| Reclassification of reserves | 14 (b) | - | - | - | (32,266) | 32,266 | - | - |
| Impact of associates on adoption of equity accounting | 14 (b) | - | 30,629 | - | - | 152,668 | - | 183,297 |
| As restated | | 180,000 | 322,700 | 70,000 | - | 1,212,536 | 63,000 | 1,848,236 |
| Fair value loss on available-for-sale financial assets | 14 (b) | - | (109,872) | - | - | (2,110) | - | (2,110) |
| Translation loss (net) | 14 (b) | - | - | - | - | 163,958 | - | 163,958 |
| Profit for the year | | - | - | - | - | (27,000) | (63,000) | (63,000) |
| Dividends: - Final for 2003 paid | 33 | - | - | - | - | (63,000) | 63,000 | - |
| - Interim for 2004 paid | 33 | - | - | - | - | 1,284,384 | 63,000 | 1,810,212 |
| - Final for 2004 proposed | | 180,000 | 212,828 | 70,000 | - | - | - | 1,810,212 |
| At end of year | | | | | | | | |
| Year ended 31st December, 2005 | | | | | | | | |
| At start of year (as previously reported) | | 180,000 | 182,199 | 70,000 | 30,156 | 1,101,560 | 63,000 | 1,626,915 |
| Reclassification of reserves | 14 (b) | - | - | - | (30,156) | 30,156 | - | - |
| Impact of associates on adoption of equity accounting | 14 (b) | - | 30,629 | - | - | 152,668 | - | 183,297 |
| As restated | | 180,000 | 212,828 | 70,000 | - | 1,284,384 | 63,000 | 1,810,212 |
| Fair value gain on available-for-sale financial assets | 14 (b) | - | 14,815 | - | - | (604) | - | (604) |
| Translation loss (net) | 14 (b) | - | - | - | - | 65,355 | - | 65,355 |
| Profit for the year | | - | - | - | - | (27,000) | (63,000) | (63,000) |
| Dividends: - Final for 2004 paid | 33 | - | - | - | - | (117,000) | 117,000 | - |
| - Interim for 2005 paid | 33 | - | - | - | - | 1,205,135 | 117,000 | 1,799,778 |
| - Final for 2005 proposed | | 180,000 | 227,643 | 70,000 | - | - | - | 1,799,778 |
| At end of year | | | | | | | | |

The notes on pages 23 to 54 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2005

| | Notes | 2005 Shs'000 | 2004 Shs'000 |
|---|------------|-----------------|-----------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Profit before income tax | | | |
| Adjustments for: | | 470,726 | 358,882 |
| Depreciation | 18 (a) | 31,723 | 29,266 |
| Net inflows from deposit administration contracts | 8 | 672,968 | 359,612 |
| Gain on sale of quoted shares | 8 | (462,753) | (79,652) |
| Change in insurance contract liabilities and reserves | | 650,869 | 53,532 |
| Investment income | 8 | (609,804) | (468,253) |
| Decrease/(Increase) in fair value of investment properties | 16 (i) (c) | 73,004 | (10,192) |
| Share of result of associates before income tax | | (90,382) | (138,849) |
| Operating profit before working capital changes | | 736,351 | 104,346 |
| (Increase)/decrease in premium, reinsurance and other receivables | | (50,426) | 68,930 |
| Increase in reinsurance and other payables | | 109,542 | 222,090 |
| Cash generated from operations | | 795,467 | 395,366 |
| Income tax paid | | (51,123) | (50,883) |
| Net cash inflow from operating activities | | 744,344 | 344,483 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Investment income | | | |
| Dividends received from associates | 16 (i) (c) | 609,804 | 468,253 |
| Proceeds from sale of quoted shares | | 38,220 | 49,284 |
| Proceeds from disposal of fixed assets | | 1,716,947 | 178,188 |
| Purchase of fixed assets | 18 (a) | - | 1,231 |
| Additions of investment properties | 19 (a) | (40,332) | (47,825) |
| Purchase of quoted shares | 20 (a) | (5,345) | (16,041) |
| Purchase of unquoted shares | 21 (a) | (1,722,440) | (661,535) |
| Additional investment in subsidiary | | - | (42,083) |
| Net mortgage loans redeemed | | - | (18,887) |
| Net loans on life insurance policies redeemed/(advanced) | | 19,346 | 43,125 |
| Net addition of government securities maturing after 91 days of the date of acquisition | | 2,316 | (1,342) |
| Net addition of commercial bonds | | (1,216,731) | (34,370) |
| Net cash outflow from investing activities | | (383,605) | - |
| | | (981,820) | (82,002) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Dividends paid | | | |
| Dividends paid to minority in subsidiaries | | (81,680) | (82,798) |
| Net cash outflow from financing activities | | - | (6,279) |
| | | (81,680) | (89,077) |
| (Decrease)/Increase in cash and cash equivalents | | | |
| Cash and cash equivalents at start of year | 26 | (319,156) | 173,404 |
| Exchange (loss)/gain on translation of cash and cash equivalents in foreign currencies | | 1,179,345 | 976,077 |
| Cash and cash equivalents at end of year | 26 | (84,267) | 29,864 |
| | | 775,922 | 1,179,345 |

The notes on pages 23 to 54 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2005

1. GENERAL INFORMATION

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

At an Extraordinary General Meeting held on 9th March, 2005, The Jubilee Insurance Company Limited Shareholders approved the transfer of the Company's long term insurance business and general insurance business together with the property and other assets supporting the statutory and other funds of the long-term insurance and general insurance business to its wholly owned subsidiary, "The Jubilee Insurance Company of Kenya Limited". The Shareholders also resolved to change the name of the Company from The Jubilee Insurance Company Limited to Jubilee Holdings Limited, which will remain listed on the Nairobi Stock Exchange. The application to change the name was lodged with the registrar of companies on 11th November, 2005.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

The consolidated 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, unless otherwise stated and prepared under the historical cost convention as modified by the carrying of investment property and certain investments at fair value, impaired assets at their recoverable amounts, and actuarially determined liabilities at their present values.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas that require a higher degree of judgement or complexity, or where assumptions or estimates are significant to the financial statements, are disclosed in note 4.

The Group adopted the following International Financial Reporting Standards in 2005, which are relevant to its operations and are effective for accounting periods starting on or after 1st January, 2005. The 2005 financial statements have been amended to comply with the relevant requirements:

- IAS 8 (Revised 2003) Accounting policies, changes in accounting estimates and errors
- IAS 16 (Revised 2003) Property, plant and equipment
- IAS 21 (Revised 2003) The effects of changes in foreign exchange rates
- IAS 24 (Revised 2003) Related party disclosures
- IAS 32 (Revised 2003) Financial instruments: Disclosure and presentation
- IAS 39 (Revised 2003) Financial instruments: Recognition and measurement
- IAS 36 (Revised 2004) Impairment of assets
- IFRS 4 (Issued 2004) Insurance contracts

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2005 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

The adoption of the revised IAS 8, 16, 21, 32, 39 and 36 did not result in significant changes to the Company's accounting policies.

The adoption of IAS 24 (revised 2003) has affected the identification of related parties and some related party disclosures.

The Group continues to apply the same accounting policies for the recognition and measurement of obligations arising from insurance contracts. The Group developed its accounting policies for insurance contracts before the adoption of IFRS 4 and in the absence of a specific standard for insurance contracts. The Directors used their judgement in developing a set of accounting policies for the recognition and measurement of rights and obligations arising from insurance contracts issued and reinsurance contracts held that provides the most useful information to users of the Group's financial statements.

2.2 CONSOLIDATION

a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies and generally has a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date in which control ceases. Intra Group transactions, balances and unrealised gains on intra group transactions are eliminated. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group. The listing of subsidiaries is shown on note 16.

b) 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 Group financial statements by the equity method of accounting, based on the most recent financial statements. Effective 1st January, 2005, accounting for associates was changed from cost to equity accounting in the Company.

Equity accounting involves recognising in the income statement, the Group's share of the associate's profit or loss for the year and in reserves, its share of the associates' increase or decrease in reserves. 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 16.

2.3 SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

2.4 FOREIGN CURRENCY TRANSLATION

a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the Company operates (the 'functional currency'). The consolidated financial statements are presented in thousands of Kenya Shillings, which is the Group's presentation currency.

b) Transactions and balances

Transactions in foreign currencies during the year are converted into the functional currency using exchange rates prevailing at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2005 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 FOREIGN CURRENCY TRANSLATION (CONTINUED)

c) Consolidation

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

- i) assets and liabilities at the balance sheet date, which are expressed in foreign currencies, are translated into Kenya Shillings at rates ruling at the balance sheet date;
- ii) income statements of foreign entities are translated into the Group's reporting currency at average exchange rates for the year (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transactions dates, in which case income and expenses are translated at the dates of the transactions); and
- iii) 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.

2.5 INCOME RECOGNITION

Premium income is recognised on assumption of risks, and includes estimates of premiums due but not yet received, less an allowance for cancellations, and less unearned premium. Unearned premiums represent the proportion of the premiums written in periods up to the accounting date that relates to the unexpired terms of policies in force at the balance sheet date.

Commissions receivable are recognised as income in the period in which they are earned.

Investment income is stated net of investment expenses. Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset. Dividends are recognised as income in the period in which the right to receive payment is established. Rental income is recognised as income in the period in which it is earned.

2.6 CLAIMS AND POLICYHOLDER BENEFITS PAYABLE

Claims and policyholder benefits payable comprise claims paid in the year and changes in the provision for insurance contract liabilities. Claims paid represent all payments made during the year, whether arising from events during that or earlier years. Insurance contract liabilities 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. They 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").

2.7 COMMISSIONS PAYABLE AND DEFERRED ACQUISITION COSTS

A proportion of commissions payable is deferred and amortised over the period in which the related premium is earned. Deferred acquisition costs represent a proportion of acquisition costs that relate to policies that are in force at the year end.

2.8 DEPOSIT ADMINISTRATION CONTRACTS

The Group administers the funds of a number of retirement benefit schemes. The liability of the Group to the schemes has been included within the balance sheet.

2.9 INVESTMENT PROPERTIES

Investment properties comprise land and buildings held for long term rental yields and/or for capital appreciation. They are carried at market value determined annually, based on valuations by external independent valuers. Fair value is based on active market prices as adjusted, if necessary, for any difference in the nature, condition or location of the specific asset. Investment properties are not subject to depreciation. Changes in their carrying amount between balance sheet dates are recorded, net of deferred income tax, through 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.

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2005 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 FINANCIAL ASSETS

The Group classifies its investments into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Directors determine the classification of investments at initial recognition and re-evaluate this at every reporting date.

i) **Financial assets at fair value through profit and loss**

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified into this category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit-taking, or if so designated by management. Quoted and unquoted equity investments attributable to the long-term business are classified under this category.

ii) **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term or that it has designated as at fair value through income or available-for-sale. Mortgage loans, loans on life insurance policies and receivables arising from insurance and reinsurance contracts are classified under this category.

iii) **Held-to-maturity financial assets**

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities - other than those that meet the definition of loans and receivables - that the Group has the positive intention and ability to hold to maturity. Government securities are classified as held-to-maturity financial assets.

iv) **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. The Group classifies quoted and unquoted equity investments attributable to the short-term business in this category.

All purchases and sales of investments are recognised on the trade date, which is the date the Group commits to purchase or sell the asset. All financial assets not carried at fair value through profit or loss are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition. Investments are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise, and those arising from available-for-sale assets are recognised in a separate reserve in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as net realised gains/losses on financial assets.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, and discounted cash flow analysis.

Loans and receivables under held-to-maturity financial assets are carried at amortized cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2005 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 PROPERTY AND EQUIPMENT

All categories of property and equipment are initially recorded at cost and subsequently stated at historical cost less depreciation, calculated using the straight-line method to allocate their costs 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 |

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

Asset residual values and their estimated useful lives are reviewed at each balance sheet date and adjusted if appropriate. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

2.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

2.13 INSURANCE AND INVESTMENT CONTRACTS - CLASSIFICATION

The Group issues contracts that transfer insurance risk or financial risk or both.

Insurance Contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

2.14 EMPLOYEE ENTITLEMENTS

Employee entitlements to long service awards are recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the balance sheet date.

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

2.15 RETIREMENT BENEFIT OBLIGATIONS

The Group contributes to a defined contribution pension scheme / National Social Security Fund (NSSF) for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The assets of the scheme are held in separate trustee administered funds, which are funded from contributions from both the Group and employees. The employees of the Group are also members of NSSF. The Group's contributions to the defined contribution scheme and NSSF are charged to the profit and loss account in the year to which they relate.

2.16 INCOME TAX EXPENSE

Income tax expense/(income) comprises current income tax and deferred income tax. Income tax is recognised as an expense/(income) and included in the profit and loss account, except to the extent that the income tax arises from a transaction which is recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2005 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 INCOME TAX EXPENSE (CONTINUED)

Deferred income 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 at the balance sheet date are used to determine deferred income tax.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities.

2.17 DIVIDENDS

Proposed dividends are shown as a separate component of equity until declared.

2.18 ACCOUNTING FOR LEASES

Leases of assets where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to income on a straight-line basis over the period of the lease.

2.19 IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset (or group of financial assets) is impaired. Impairment losses are recognised if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset, and that those events have an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

The impairment loss so recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

2.20 COMPARATIVES

Where necessary, comparative figures have been adjusted or extended to conform to changes in presentation in the current year. In particular, the Company comparatives have been adjusted to take into account the change in accounting of associates from cost to equity method of accounting and the reclassification of translation reserves to retained earnings.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

This section summarises the way the Group manages key risks:

Insurance risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2005 (CONTINUED)

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Insurance risk (Continued)

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

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

Financial risk

The Group is exposed to financial risk through its financial assets, financial liabilities (investment contracts and borrowings), reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are interest rate risk, equity price risk, currency risk and credit risk.

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

i) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These include the use of recent arm's length transactions and reference to other instruments that are substantially the same.

Insurance contracts

The estimation of future benefit payments from Long-Term insurance contracts is the Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims. Note 30 contains further details on this process.

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

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2005 (CONTINUED)

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

Insurance contracts (Continued)

Were the numbers of deaths in future years to differ by 10% from management's estimate, the liability change would not be material. In this case, there is no relief arising from reinsurance contracts held.

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

Under certain contracts, the Group has offered guaranteed annuity options. In determining the value of these options, estimates have been made as to the percentage of contract holders that will exercise them. There is not enough historical information available on which to base these estimates. Changes in investment conditions could result in significantly more contract holders exercising their options than has been assumed.

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments. Were the average future investment returns to reduce by 1% from management's estimates, the insurance liability change would not be material.

ii) CRITICAL JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

In the process of applying the Group's accounting policies, management has made judgements in determining:

- the classification of financial assets and leases
- whether land and buildings meet the criteria to be classified as investment property
- whether assets are impaired.

5. TRANSFER OF BUSINESS

Effective 1st January, 2005, Jubilee Holdings Limited (JHL) transferred the assets and liabilities of its insurance business to The Jubilee Insurance Company of Kenya Limited (JICK) for Shs 300 million satisfied by issue of shares. The transfer resulted in the acquiree's assets, liabilities and contingent liabilities being migrated into JICK books.

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2005 (CONTINUED)

5. TRANSFER OF BUSINESS (CONTINUED)

Effect of transfer of business

The transfer of Jubilee Holding Limited's insurance business comprising assets and liabilities are set out in the following manner:

| | Notes | Shs'000 |
|--|-------------|-------------|
| Property and equipment | 18 (b) | 32,858 |
| Investment properties | 19 (b) | 1,166,400 |
| Investment in subsidiaries | | 10,000 |
| Investment in associates | | 315,217 |
| Unquoted shares | 21 (b) | 493,994 |
| Quoted shares | 20 (b) | 971,337 |
| Mortgage loans | 22 (i) (b) | 57,811 |
| Loans on life insurance policies | 22 (ii) (b) | 166,214 |
| Government securities held-to-maturity | | 1,834,055 |
| Deposits with financial institutions | | 198,264 |
| Receivables arising out of reinsurance arrangements | | 163,272 |
| Receivables arising out of direct insurance arrangements | | 162,664 |
| Reinsurers' share of insurance liabilities | | 305,846 |
| Deferred acquisition costs | 24 (b) | 51,222 |
| Other receivables | | 60,994 |
| Cash and bank balances | | 150,419 |
| Insurance contract liabilities | | (2,794,985) |
| Payable under deposit administration contracts | 15 (b) | (2,178,108) |
| Provisions for unearned premium | | (445,852) |
| Creditors arising out of reinsurance arrangements | | (87,440) |
| Other payables | | (277,234) |
| Bank overdraft | | (56,948) |
| Net identifiable assets and liabilities transferred | | 300,000 |
| Total consideration | | 300,000 |
| Goodwill on transfer of business | | |

6. SEGMENT INFORMATION

a) Primary reporting format - business segments

The gross earned premium income of the Group can be analysed between the main classes of business, Short-Term and Long-Term, as shown below:

| | 2005 Shs'000 | 2004 Shs'000 |
|--------------------------------|-----------------|-----------------|
| Short-Term business: | | |
| Motor | 861,257 | 599,638 |
| Fire | 446,486 | 392,577 |
| Personal accident | 644,882 | 231,532 |
| Other | 548,095 | 532,900 |
| Total Short-Term | 2,500,720 | 1,756,647 |
| Long-Term business: | | |
| Ordinary life | 242,880 | 210,326 |
| Other | 258,699 | 331,125 |
| Total Long-Term | 501,579 | 541,451 |
| Total Short-Term and Long-Term | 3,002,299 | 2,298,098 |

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2005 (CONTINUED)

6. SEGMENT INFORMATION (CONTINUED)

a) Primary reporting format - business segments (Continued)

The segment results for the year ended 31st December, 2005 are as follows:

| | Short-Term Business Shs'000 | Long-Term Business Shs'000 | Others Shs'000 | Total Shs'000 |
|---|-----------------------------------|----------------------------------|-------------------|------------------|
| Gross insurance premium revenue | 2,500,720 | 501,579 | - | 3,002,299 |
| Insurance premium ceded to reinsurers | (793,526) | (58,927) | - | (852,453) |
| Fee income | - | - | - | - |
| Investment income and gains | 336,257 | 681,037 | 115,649 | 1,132,943 |
| Other income - commission earned | 197,136 | 10,326 | - | 207,462 |
| Income net of reinsurance ceded | 2,240,587 | 1,134,015 | 115,649 | 3,490,251 |
| Gross benefits and claims from insurance contracts | 1,402,417 | 870,833 | - | 2,273,250 |
| Insurance benefits and claims recovered from reinsurers | (329,081) | (18,353) | - | (347,434) |
| Other expenses | 824,599 | 269,318 | 90,174 | 1,184,091 |
| Expenses | 1,897,935 | 1,121,798 | 90,174 | 3,109,907 |
| Results of operating activities | 342,652 | 12,217 | 25,475 | 380,344 |
| Share of result of associates before income tax | 19,369 | 37,783 | 33,230 | 90,382 |
| Profit before income tax | 362,021 | 50,000 | 58,705 | 470,726 |
| Income tax expense | 47,999 | 15,000 | 12,611 | 75,610 |
| Profit for the year | 314,022 | 35,000 | 46,094 | 395,116 |

The segment results for the year ended 31st December, 2004 are as follows:

| | | | | |
|---|------------------|----------------|----------------|------------------|
| Gross insurance premium revenue | 1,756,647 | 541,451 | - | 2,298,098 |
| Insurance premium ceded to reinsurers | (521,394) | (51,793) | - | (573,187) |
| Fee income | - | - | - | - |
| Investment income and gains | 217,332 | 494,277 | 60,850 | 772,459 |
| Other income - commission earned | 161,902 | 10,755 | - | 172,657 |
| Income net of reinsurance ceded | 1,614,487 | 994,690 | 60,850 | 2,670,027 |
| Gross benefits and claims from insurance contracts | 1,173,795 | 748,015 | - | 1,921,810 |
| Insurance benefits and claims recovered from reinsurers | (398,211) | (23,425) | - | (421,636) |
| Other expenses | 625,397 | 255,516 | 68,907 | 949,820 |
| Expenses | 1,400,981 | 980,106 | 68,907 | 2,449,994 |
| Results of operating activities | 213,506 | 14,584 | (8,057) | 220,033 |
| Share of result of associates before income tax | 94,583 | 44,266 | - | 138,849 |
| Profit before income tax | 308,089 | 58,850 | (8,057) | 358,882 |
| Income tax expense | 71,100 | 15,000 | (3,804) | 82,296 |
| Profit for the year | 236,989 | 43,850 | (4,253) | 276,586 |

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2005 (CONTINUED)

6. SEGMENT INFORMATION (CONTINUED)

a) Primary reporting format - business segments (Continued)

Other segment items included in the income statement for the year ended 31st December, 2005 are as follows:

| | Short-Term Business Shs'000 | Long-Term Business Shs'000 | Total Shs'000 |
|-----------------------------------|-----------------------------------|----------------------------------|------------------|
| Depreciation (note 18 (a)) | 22,994 | 8,729 | 31,723 |
| Impairment of premium receivables | (254) | - | (254) |
| Restructuring costs | 4,108 | - | 4,108 |

Other segment items included in the income statement for the year ended 31st December, 2004 are as follows:

| | Short-Term Business Shs'000 | Long-Term Business Shs'000 | Total Shs'000 |
|-----------------------------------|-----------------------------------|----------------------------------|------------------|
| Depreciation (note 18 (a)) | 21,767 | 7,499 | 29,266 |
| Impairment of premium receivables | 16,159 | - | 16,159 |
| Restructuring costs | 10,071 | - | 10,071 |

The segment assets and liabilities at 31st December, 2005 and capital expenditure for the year then ended are as follows:

| | Short-Term Business Shs'000 | Long-Term Business Shs'000 | Others Shs'000 | Total Shs'000 |
|--|-----------------------------------|----------------------------------|-------------------|-------------------|
| Investment in associates | 552,283 | 164,823 | 121,791 | 838,897 |
| Reinsurance assets | 257,408 | 6,734 | - | 264,142 |
| Reinsurers' share of technical provisions and reserves | 740,967 | 22,461 | - | 763,428 |
| Deferred acquisition costs | 82,477 | - | - | 82,477 |
| Other assets | 2,730,454 | 5,204,881 | 1,706,425 | 9,641,760 |
| Total assets | 4,363,589 | 5,398,899 | 1,828,216 | 11,590,704 |
| Insurance liabilities | 2,832,049 | 5,265,885 | - | 8,097,934 |
| Other liabilities | 469,462 | 71,968 | 322,712 | 864,142 |
| Total Liabilities | 3,301,511 | 5,337,853 | 322,712 | 8,962,076 |
| Capital expenditure | 30,891 | 9,441 | - | 40,332 |

The segment assets and liabilities at 31st December, 2004 and capital expenditure for the year then ended are as follows:

| | Short-Term Business Shs'000 | Long-Term Business Shs'000 | Others Shs'000 | Total Shs'000 |
|--|-----------------------------------|----------------------------------|-------------------|------------------|
| Investment in associates | 469,562 | 394,951 | 116,635 | 981,148 |
| Reinsurance assets | 136,424 | 8,705 | - | 145,129 |
| Reinsurers' share of technical provisions and reserves | 1,007,389 | 11,009 | - | 1,018,398 |
| Deferred acquisition costs | 54,631 | - | - | 54,631 |
| Other assets | 3,382,247 | 4,045,620 | 96,669 | 7,524,536 |
| Total assets | 5,050,253 | 4,460,285 | 213,304 | 9,723,842 |
| Insurance liabilities | 2,581,694 | 4,233,325 | - | 6,815,019 |
| Other liabilities | 420,590 | 70,048 | 78,613 | 569,251 |
| Total Liabilities | 3,002,284 | 4,303,373 | 78,613 | 7,384,270 |
| Capital expenditure | 36,332 | 11,493 | - | 47,825 |

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2005 (CONTINUED)

6. SEGMENT INFORMATION (CONTINUED)

b) Secondary reporting format - geographical segments

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

The Long-Term business gross earned premium written outside of Kenya in 2005 was only 4.5% (2004: 3.5%) of the total.

| | Gross earned premium | | Investment income | | Total assets | | Capital expenditure | |
|--------------|----------------------|------------------|-------------------|-----------------|-------------------|------------------|---------------------|-----------------|
| | 2005 Shs'000 | 2004 Shs'000 | 2005 Shs'000 | 2004 Shs'000 | 2005 Shs'000 | 2004 Shs'000 | 2005 Shs'000 | 2004 Shs'000 |
| Kenya | 1,869,566 | 1,371,142 | 853,402 | 431,595 | 8,537,999 | 6,705,062 | 24,356 | 23,246 |
| Uganda | 485,209 | 405,099 | 89,672 | 80,168 | 1,974,167 | 1,691,156 | 12,520 | 19,395 |
| Tanzania | 641,722 | 418,286 | 44,200 | 23,278 | 951,686 | 860,615 | 3,456 | 4,916 |
| Mauritius | 5,802 | 103,571 | 2,247 | 11,551 | 121,231 | 446,782 | - | 111 |
| India | - | - | 10,032 | 11,505 | 5,621 | 20,227 | - | 157 |
| Total | 3,002,299 | 2,298,098 | 999,553 | 558,097 | 11,590,704 | 9,723,842 | 40,332 | 47,825 |

7. GROSS EARNED PREMIUM

Gross earned premium for the year ended 31st December, 2005

i) Short-Term business

Premium earned by principal classes of business

| | Gross Shs'000 | Reinsurance Shs'000 | Net Shs'000 |
|-------------------------|------------------|------------------------|------------------|
| Motor | | | |
| Fire | 861,257 | 82,300 | 778,957 |
| Personal accident | 446,486 | 355,094 | 91,392 |
| Other | 644,882 | 116,770 | 528,112 |
| Total Short-Term | 548,095 | 239,362 | 308,733 |
| | 2,500,720 | 793,526 | 1,707,194 |

ii) Long-Term business

Premium earned by principal classes of business:

| | Gross Shs'000 | Reinsurance Shs'000 | Net Shs'000 |
|---------------------------------------|------------------|------------------------|------------------|
| Ordinary life | | | |
| Other | 242,880 | 5,105 | 237,775 |
| Total Long-Term | 258,699 | 53,822 | 204,877 |
| Total Short-Term and Long-Term | 501,579 | 58,927 | 442,652 |
| | 3,002,299 | 852,453 | 2,149,846 |

Gross earned premium for the year ended 31st December, 2004

i) Short-Term business

Premium earned by principal classes of business

| | Gross Shs'000 | Reinsurance Shs'000 | Net Shs'000 |
|-------------------------|------------------|------------------------|------------------|
| Motor | | | |
| Fire | 599,638 | (63,484) | 663,122 |
| Personal accident | 392,577 | 305,398 | 87,179 |
| Other | 231,532 | 18,836 | 212,696 |
| Total Short-Term | 532,900 | 260,644 | 272,256 |
| | 1,756,647 | 521,394 | 1,235,253 |

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2005 (CONTINUED)

7. GROSS EARNED PREMIUM (CONTINUED)

Gross earned premium for the year ended 31st December, 2004 (Continued)

| ii) Long-Term business | Gross Shs'000 | Reinsurance Shs'000 | Net Shs'000 |
|--------------------------------|------------------|------------------------|----------------|
| Ordinary life | 210,326 | 3,600 | 206,726 |
| Other | 331,125 | 48,193 | 282,932 |
| Total Long-Term | 541,451 | 51,793 | 489,658 |
| Total Short-Term and Long-Term | 2,298,098 | 573,187 | 1,724,911 |

8. INVESTMENT INCOME

| | 2005 Shs'000 | 2004 Shs'000 |
|---|-----------------|-----------------|
| Mortgage loan interest | 12,643 | 11,199 |
| Bank deposit interest | 69,277 | 28,974 |
| Government securities interest | 267,864 | 196,349 |
| Policy loans interest | 22,452 | 20,848 |
| Dividends from equity investments | 108,139 | 42,178 |
| Rental income from investment properties (net of expenses) | 125,141 | 135,518 |
| Gain on sale of quoted shares | 462,753 | 79,652 |
| Fair value (loss)/gain on investment properties (note 19 (a)) | (73,004) | 10,192 |
| Exchange gain | 687 | 10,813 |
| Other income | 12,701 | 22,374 |
| Total | 990,553 | 558,097 |

9. CLAIMS AND POLICYHOLDER BENEFITS PAYABLE

Claims and policyholder benefits payable for the year ended 31st December, 2005

i) Short-Term business

Claims payable by principal classes of business:

| | Gross Shs'000 | Reinsurance Shs'000 | Net Shs'000 |
|-------------------|------------------|------------------------|----------------|
| Motor | 485,605 | 13,858 | 471,747 |
| Fire | 230,157 | 192,047 | 38,110 |
| Personal accident | 468,551 | 54,137 | 414,414 |
| Other | 218,104 | 69,039 | 149,065 |
| Total Short-Term | 1,402,417 | 329,081 | 1,073,336 |

ii) Long-Term business

Death, maturity and surrender benefits

| | | | |
|--------------------------------|-----------|---------|-----------|
| Ordinary life | 391,712 | 1,478 | 390,234 |
| Retirement benefits | 197,059 | - | 197,059 |
| Other | 279,883 | 16,875 | 263,008 |
| Total Long-Term | 868,654 | 18,353 | 850,301 |
| Total Short-Term and Long-Term | 2,271,071 | 347,434 | 1,923,637 |

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2005 (CONTINUED)

9. CLAIMS AND POLICYHOLDER BENEFITS PAYABLE (CONTINUED)

Claims and policyholder benefits payable for the year ended 31st December, 2004

i) Short-Term business

Claims payable by principal classes of business:

| | Gross Shs'000 | Reinsurance Shs'000 | Net Shs'000 |
|-------------------|------------------|------------------------|----------------|
| Motor | | | |
| Fire | 363,276 | (15,946) | 379,222 |
| Personal accident | 418,666 | 334,873 | 83,793 |
| Other | 157,037 | 8,909 | 148,128 |
| Total Short-Term | 234,816 | 70,375 | 164,441 |
| | 1,173,795 | 398,211 | 775,584 |

ii) Long-Term business

| | | | |
|--|-----------|---------|-----------|
| Death, maturity and surrender benefits | | | |
| Ordinary life | | | |
| Retirement benefits | 464,082 | 2,358 | 461,724 |
| Other | 220,304 | - | 220,304 |
| Total Long-Term | 63,629 | 21,067 | 42,562 |
| Total Short-Term and Long-Term | 748,015 | 23,425 | 724,590 |
| | 1,921,810 | 421,636 | 1,500,174 |

10. OPERATING AND OTHER EXPENSES

| | 2005 Shs'000 | 2004 Shs'000 |
|--|-----------------|-----------------|
| Employee benefits expense | | |
| Auditors' remuneration | 403,484 | 338,321 |
| Depreciation (Note 18 (a)) | 7,778 | 7,290 |
| Impairment charge for doubtful premium receivables | 31,723 | 29,266 |
| Operating lease rentals - land and buildings | (254) | 16,159 |
| Repairs and maintenance expenditure | 44,118 | 43,954 |
| Other | 18,744 | 14,312 |
| Total | 286,014 | 233,782 |
| | 791,807 | 683,084 |

11. EMPLOYEE BENEFIT EXPENSE

| | | |
|--|---------|---------|
| Wages and salaries | | |
| National Social Security Fund | 363,999 | 307,696 |
| Retirement benefit costs - defined contribution plan | 1,554 | 1,950 |
| Other benefits | 11,967 | 11,915 |
| Total | 25,974 | 16,760 |
| | 403,484 | 338,321 |

The number of persons employed by the Group at year-end 2005 was 316 (2004: 301).

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2005 (CONTINUED)

12. INCOME TAX

| Group | 2004 Shs'000 |
|-----------------------------------|-----------------|
| Current income tax | 41,518 |
| Share of income tax of associates | 29,477 |
| Deferred income tax (note 27(a)) | 11,301 |
| Total | 82,296 |

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

| | |
|--|---------------|
| Profit before income tax | 358,882 |
| Tax calculated at 30% (2004:30%) | 107,665 |
| Effect of: | (50,213) |
| Income not subject to income tax | 6,325 |
| Expenses not deductible for tax purposes | 18,519 |
| Others | 82,296 |
| Income tax charge | 82,296 |

13. SHARE CAPITAL

The total authorised number of ordinary shares is 40,000,000 with a par value of Shs 5 per share. At 31st December, 2005, 36,000,000 ordinary shares were in issue (2004: 36,000,000 ordinary shares). All issued shares are fully paid.

| | Number of shares | | Share capital | |
|--------------------------------|------------------|--------------|---------------|-----------------|
| | | 2004 '000 | | 2004 Shs'000 |
| Ordinary shares of Shs 5 each: | | | | |
| Authorised | | 40,000 | | 200,000 |
| Issued and fully paid | | | | |
| At start and end of year | | 36,000 | | 180,000 |

14. RESERVES

a) Group

| Fair value reserves | 2004 Shs'000 |
|--|-----------------|
| At start of year | 265,649 |
| Fair value gains/(losses) on quoted shares (note 20 (a)) | (116,576) |
| Fair value gains on unquoted shares (note 21 (a)) | 6,537 |
| Fair value gains from associates | 15,598 |
| Release of fair value gains on disposal of quoted shares | (12,726) |
| Other | (3,219) |
| At end of year | 155,263 |

The fair value reserves are non-distributable.

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2005 (CONTINUED)

14. RESERVES (CONTINUED)

a) Group (Continued)

| General reserves | 2005 Shs'000 | 2004 Shs'000 |
|---|-----------------|-----------------|
| At start of year | | |
| Share of subsidiaries' general reserves | 70,262 | 70,161 |
| Transfer to retained earnings | | 101 |
| At end of year | (262) 70,000 | - |
| <p>The general reserves of Shs 70 million, were an appropriation of retained earnings in 1992, and are therefore distributable.</p> | | |
| Translation reserves | | |
| At start of year | | |
| Net translation (loss)/gain | 4,886 | (19,345) |
| Translation gains from associates | (48,806) | 4,937 |
| At end of year | - | 19,294 |
| | (43,920) | 4,886 |

Retained earnings

The retained earnings balance represents the amount available for dividend distribution to the shareholders of the Group. The movement in retained earnings is shown in the statement of changes in equity on page 20.

b) Company

Fair value reserves

| | 2005 Shs'000 | 2004 Shs'000 |
|--|-----------------|-----------------|
| At start of year (as previously reported) | | |
| Impact of change from cost accounting to equity accounting | 182,199 | 292,071 |
| As restated | 30,629 | 30,629 |
| Fair value loss on quoted shares (note 20 (b)) | 212,828 | 322,700 |
| Fair value gain on unquoted shares (note 21 (b)) | - | (116,191) |
| Release of fair value gains on disposal of quoted shares | 14,815 | 19,045 |
| At end of year | - | (12,726) |
| | 227,643 | 212,828 |

The fair value reserves are non-distributable.

General reserves

| | | |
|--------------------------|--------|--------|
| At start and end of year | 70,000 | 70,000 |
|--------------------------|--------|--------|

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

Translation reserves

| | | |
|---|----------|----------|
| At start of year (as previously reported) | | |
| Reclassification to retained earnings | 30,156 | 32,266 |
| As restated | (30,156) | (32,266) |
| At end of year | - | - |

Retained earnings

The retained earnings balance represents the amount available for dividend distribution to the shareholders of the Company. The movement in retained earnings is shown in the statement of changes in equity on page 21.

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2005 (CONTINUED)

15. PAYABLE UNDER DEPOSIT ADMINISTRATION CONTRACTS

Deposit administration contracts are recorded at amortised cost. Movements in amounts payable under deposit administration contracts during the year are as shown below. The liabilities are shown inclusive of interest accumulated to 31st December.

| | 2005 Shs'000 | 2004 Shs'000 |
|---|------------------|------------------|
| a) Group | | |
| At start of year | 2,228,738 | 1,827,869 |
| Pension fund deposits received | 682,150 | 465,155 |
| Surrenders and annuities paid | (213,471) | (220,304) |
| Interest credited to deposit administration policyholders (net of expenses) | 239,711 | 152,297 |
| Translation (loss)/gain | (10,896) | 3,721 |
| At end of year | <u>2,926,248</u> | <u>2,228,738</u> |
| b) Company | | |
| At start of year | 2,178,108 | 1,739,025 |
| Transfer to The Jubilee Insurance Company of Kenya Limited (note 5) | (2,178,108) | - |
| Pension fund deposit received | | 451,681 |
| Surrenders and annuities paid | | (160,029) |
| Interest credited to deposit administration policyholders (net of expenses) | | 147,431 |
| At end of year | | <u>2,178,108</u> |

16. INVESTMENT IN ASSOCIATED COMPANIES AND SUBSIDIARIES

i) INVESTMENT IN ASSOCIATED COMPANIES

| | 2005 Shs'000 | 2004 Shs'000 | 2005 % Equity Held | 2004 % Equity Held |
|---|-----------------|-----------------|--------------------------|--------------------------|
| a) Group | | | | |
| Share of net assets in: | | | | |
| Property Development and Management Limited | 517,403 | 491,847 | 34.76 | 34.76 |
| IPS Power Investment Limited | 127,699 | 130,638 | 27.00 | 27.00 |
| TPS Eastern Africa Limited | 193,795 | 174,085 | 25.83 | 25.83 |
| East Africa Reinsurance Company Limited | 638,897 | 981,148 | - | - |
| Total | | | | |
| b) Company | | | | |
| Share of net assets in: | | | | |
| Property Development and Management Limited | | 375,211 | - | 27.75 |
| IPS Power Investment Limited | | 130,638 | - | 27.00 |
| East Africa Reinsurance Company Limited | | 112,890 | - | 25.83 |
| Total | | <u>618,739</u> | - | - |

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. East Africa Reinsurance Company Limited is a private reinsurance company. All the associated companies are incorporated in Kenya.

TPS Eastern Africa Limited ceased to be an associate on 31st December, 2004 upon issuance of additional shares which reduced the Group's effective shareholding to below 20%.

NOTES TO THE FINANCIAL STATEMENTS
31ST DECEMBER 2005 (CONTINUED)

16. INVESTMENT IN ASSOCIATED COMPANIES AND SUBSIDIARIES (CONTINUED)

i) INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

c) Movements of net assets during the year:

| Group | 2005 | 2004 |
|-----------------------------------|----------------|----------------|
| | Shs'000 | Shs'000 |
| At start of year | | |
| Transfers to unquoted shares | 981,148 | 905,987 |
| Share of result before income tax | (167,770) | - |
| Share of income tax | 80,392 | 138,849 |
| Dividends received | (19,116) | (35,843) |
| Revaluation (deficit)/surplus | (38,220) | (49,284) |
| At end of year | (7,518) | 21,439 |
| | 838,997 | 981,148 |

ii) INVESTMENT IN SUBSIDIARIES

Investment at cost at year-end:

| | Country of incorporation | 2005 | 2004 | 2005 | 2004 |
|---|-------------------------------------|----------------|----------------|---------------------------------------|---------------------------------------|
| | | Shs'000 | Shs'000 | % Equity Held by Group | % Equity Held by Group |
| The Jubilee Investments Company Limited | Uganda | 14,278 | 14,278 | 75.00 | 75.00 |
| Jubilee Financial Services Limited | Kenya | - | 10,000 | 100.00 | 100.00 |
| Jubilee Insurance (Mauritius) Ltd | Mauritius | 59,491 | 59,491 | 77.50 | 75.63 |
| The Jubilee Insurance Company of Uganda Limited | Uganda | 25,195 | 25,195 | 56.25 | 56.25 |
| The Jubilee Insurance Company of Tanzania Limited | Tanzania | 72,911 | 72,911 | 51.00 | 51.00 |
| The Jubilee Insurance Company of Kenya Limited | Kenya | 450,000 | 150,000 | 100.00 | 100.00 |
| Total | | 621,875 | 331,875 | | |

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

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2005 (CONTINUED)

17. RELATED PARTY TRANSACTIONS

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

In the normal course of business, insurance policies are sold to related parties at terms and conditions similar to those offered to major clients. Related parties rendered various services to the Group during the year.

i) Transactions with related parties

| | 2005 Shs'000 | 2004 Shs'000 |
|---|-----------------|-----------------|
| Gross premium: | | |
| Diamond Trust Bank Kenya Limited | 16,626 | 24,555 |
| Industrial Promotion Services (Kenya) Limited | 102,866 | 106,431 |
| TPS Eastern Africa Limited | 18,962 | 13,100 |
| Property Development and Management Limited | 1,282 | 2,571 |
| Total | 138,956 | 146,657 |
| Net claims incurred: | | |
| Diamond Trust Bank Kenya Limited | 6,314 | 7,630 |
| Industrial Promotion Services (Kenya) Limited | 15,125 | 54,511 |
| TPS Eastern Africa Limited | 1,897 | 959 |
| Property Development and Management Limited | 804 | 667 |
| Total | 24,140 | 63,767 |
| Services received from: | | |
| Industrial Promotion Services (Kenya) Limited | 4,302 | 4,623 |
| TPS Eastern Africa Limited | 1,846 | 1,494 |
| Property Development and Management Limited | 8,302 | 1,543 |
| Total | 14,450 | 7,660 |
| ii) Balances with related parties | | |
| Outstanding premium: | | |
| Diamond Trust Bank Kenya Limited | 1,630 | 4,963 |
| Industrial Promotion Services (Kenya) Limited | 10,893 | 20,028 |
| TPS Eastern Africa Limited | 578 | 423 |
| Property Development and Management Limited | - | 39 |
| Total | 13,101 | 25,453 |
| Outstanding claims: | | |
| Diamond Trust Bank Kenya Limited | 797 | 26 |
| Industrial Promotion Services (Kenya) Limited | 7,584 | 2,817 |
| TPS Eastern Africa Limited | 1,828 | 709 |
| Property Development and Management Limited | 119 | 157 |
| Total | 10,328 | 3,709 |
| Deposits with financial institutions: | | |
| Diamond Trust Bank Kenya Limited | 474,879 | 387,574 |
| Commercial bonds (debenture): | | |
| Diamond Trust Bank Kenya Limited | 362,905 | |

NOTES TO THE FINANCIAL STATEMENTS
31ST DECEMBER 2005 (CONTINUED)

17. RELATED PARTY TRANSACTIONS (CONTINUED)

iii) Key management compensation

| | 2005 Shs'000 | 2004 Shs'000 |
|--|-----------------|-----------------|
| Salaries and other employment benefits | 137,852 | 143,781 |
| iv) Directors' Remuneration | | |
| Fees for services as Directors | | |
| Other emoluments (included in key management compensation above) | 1,629 | 1,395 |
| Total | 32,316 | 30,549 |
| | 83,845 | 31,944 |

There were no loans given to Directors in the year ended 31st December, 2005 (2004: Nil).

18. PROPERTY AND EQUIPMENT

a) Group

| Year ended 31 st December, 2005 | Computer Equipment Shs'000 | Motor Vehicles Shs'000 | Furniture, Fixtures, Fittings & Office Equipment Shs'000 | Total Shs'000 |
|--|----------------------------------|------------------------------|---|------------------|
| Cost | | | | |
| At start of year | | | | |
| Additions | 127,253 | 39,045 | 114,729 | 281,027 |
| Disposals | 18,224 | 486 | 21,622 | 40,332 |
| Exchange adjustment | (1,821) | (4,487) | (551) | (6,859) |
| At end of year | 137,703 | 31,602 | 129,527 | 298,832 |
| Depreciation | | | | |
| At start of year | | | | |
| Charge for the year | 110,503 | 34,509 | 70,859 | 215,871 |
| On disposals | 16,084 | 1,606 | 14,033 | 31,723 |
| Exchange adjustment | (1,782) | (4,392) | (471) | (6,645) |
| At end of year | (5,172) | (3,077) | (2,979) | (11,228) |
| Net book value | 119,633 | 28,646 | 81,442 | 229,721 |
| At 31 st December, 2005 | 18,070 | 2,956 | 48,085 | 69,111 |
| Year ended 31st December, 2004 | | | | |
| Cost | | | | |
| At start of year | | | | |
| Additions | 111,542 | 38,040 | 87,015 | 236,597 |
| Disposals | 17,773 | 1,189 | 28,863 | 47,825 |
| Exchange adjustment | (5,601) | (1,478) | (2,369) | (9,448) |
| At end of year | 127,253 | 39,045 | 114,729 | 281,027 |
| Depreciation | | | | |
| At start of year | | | | |
| Charge for the year | 99,427 | 31,506 | 60,174 | 191,107 |
| On disposals | 14,701 | 3,079 | 11,486 | 29,266 |
| Exchange adjustment | (5,598) | (891) | (1,728) | (8,217) |
| At end of year | 1,973 | 815 | 927 | 3,715 |
| Net book value | 110,503 | 34,509 | 70,859 | 215,871 |
| At 31 st December, 2004 | 16,750 | 4,536 | 43,870 | 65,156 |

NOTES TO THE FINANCIAL STATEMENTS
31ST DECEMBER 2005 (CONTINUED)

18. PROPERTY AND EQUIPMENT (CONTINUED)

b) Company

| | Computer Equipment Shs'000 | Motor Vehicles Shs'000 | Furniture, Fixtures, Fittings & Office Equipment Shs'000 | Total Shs'000 |
|---|----------------------------------|------------------------------|---|------------------|
| Year ended 31st December, 2005 | | | | |
| Cost | | | | |
| At start of year | 85,697 | 17,616 | 77,625 | 180,938 |
| Transfer to The Jubilee Insurance Company of Kenya Limited (note 5) | (85,697) | (17,616) | (77,625) | (180,938) |
| At end of year | - | - | - | - |
| Depreciation | | | | |
| At start of year | 77,772 | 16,432 | 53,876 | 148,080 |
| Transfer to The Jubilee Insurance Company of Kenya Limited (note 5) | (77,772) | (16,432) | (53,876) | (148,080) |
| At end of year | - | - | - | - |
| Net book value | | | | |
| At 31 st December, 2005 | - | - | - | - |
| Year ended 31st December, 2004 | | | | |
| 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 |

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2005 (CONTINUED)

19. INVESTMENT PROPERTIES

The valuation of investment properties was carried out by Knight Frank Kenya Ltd on the basis of open market value. The Group's investment properties include properties situated outside Kenya valued at Shs 764,236,394 (2004: Shs 796,996,500).

| | 2005 Shs'000 | 2004 Shs'000 |
|---|-----------------|-----------------|
| a) Group | | |
| At start of year | | |
| Additions | 1,963,398 | 1,931,735 |
| Exchange difference | 5,345 | 16,041 |
| Fair value (losses)/gains (note 8) | (5,103) | 5,430 |
| At end of year | (73,004) | 10,192 |
| | 1,890,636 | 1,963,398 |
| b) Company | | |
| At start of year | | |
| Transfer to The Jubilee Insurance Company of Kenya Limited (note 5) | 1,922,400 | 1,897,435 |
| Additions | (1,166,400) | - |
| Fair value (losses)/gains | 814 | 16,041 |
| At end of year | (30,814) | 8,924 |
| | 726,000 | 1,922,400 |

20. QUOTED SHARES

| | | |
|--|-------------|-----------|
| a) Group | | |
| At start of year | | |
| Additions | 1,033,725 | 456,147 |
| Disposals | 1,722,440 | 661,535 |
| Exchange difference | (1,254,193) | (112,319) |
| Fair value gains/(losses) on available-for-sale investments (note 14 (a)) | (19,974) | 5,648 |
| Fair value gains on equity investments at fair value through profit and loss | 64,426 | (116,576) |
| At end of year | 52,631 | 139,290 |
| | 1,599,055 | 1,033,725 |
| b) Company | | |
| At start of year | | |
| Transfer to The Jubilee Insurance Company of Kenya Limited (note 5) | 971,337 | 410,008 |
| Additions | (971,337) | - |
| Disposals | - | 650,549 |
| Fair value losses on available-for-sale investments (note 14 (b)) | - | (112,319) |
| Fair value gains on equity investments at fair value through profit and loss | - | (116,191) |
| At end of year | - | 139,290 |
| | - | 971,337 |

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 7th April, 2006 for the Group was Shs 1,626,695,662.

NOTES TO THE FINANCIAL STATEMENTS
31ST DECEMBER 2005 (CONTINUED)

| | 2005 Shs'000 | 2004 Shs'000 |
|--|-----------------|-----------------|
| 21. UNQUOTED SHARES | | |
| a) Group | | |
| At start of year | 429,575 | 305,374 |
| Additions | | 42,083 |
| Transfer from investments in associates (note 16 (i) (c)) | 167,779 | - |
| Disposals | (3,117) | - |
| Exchange difference | (4,846) | 509 |
| Fair value gains on available-for-sale investments (note 14 (a)) | 305 | 6,537 |
| Fair value gains on equity investments at fair value through profit and loss | 78,580 | 75,072 |
| At end of year | <u>688,276</u> | <u>429,575</u> |
| b) Company | | |
| At start of year | 577,784 | 435,279 |
| Transfer to The Jubilee Insurance Company of Kenya Limited (note 5) | (493,994) | - |
| Transfer from investments in associates | 252,608 | 6,305 |
| Additions | | 42,083 |
| Fair value gains on available-for-sale investments (note 14 (b)) | 14,815 | 19,045 |
| Fair value gains on equity investments at fair value through profit and loss | | 75,072 |
| At end of year | <u>351,213</u> | <u>577,784</u> |
| 22. LOANS RECEIVABLE | | |
| i) Mortgage Loans | | |
| a) Group | | |
| At start of year | 76,781 | 116,621 |
| Loans advanced | 8,400 | 26,000 |
| Interest and penalties | 16,732 | 22,839 |
| Less: Provision for impairment losses | (4,189) | (11,640) |
| Redemptions/repayments | (40,289) | (80,324) |
| Exchange difference | (2,079) | 3,285 |
| At end of year | <u>55,356</u> | <u>76,781</u> |
| b) Company | | |
| At start of year | 57,811 | 90,812 |
| Transfer to The Jubilee Insurance Company of Kenya Limited (note 5) | (57,811) | - |
| Loans advanced | - | 26,000 |
| Interest and penalties | - | 20,060 |
| Less: Provision for impairment losses | - | (11,640) |
| Redemptions/repayments | - | (67,421) |
| At end of year | <u>-</u> | <u>57,811</u> |
| Maturity profile of mortgage loans | | |
| a) Group | | |
| Loans maturing: | | |
| Within 1 year | 11,666 | 28,370 |
| In 1-5 years | 36,146 | 23,129 |
| Over 5 years | 7,544 | 25,282 |
| Total | <u>55,356</u> | <u>76,781</u> |

NOTES TO THE FINANCIAL STATEMENTS
31ST DECEMBER 2005 (CONTINUED)

22. LOANS RECEIVABLE (CONTINUED)

Maturity profile of mortgage loans (Continued)

b) Company

| | 2005 Shs'000 | 2004 Shs'000 |
|----------------------------|-----------------|-----------------|
| Loans maturing: | | |
| Within 1 year | | |
| In 1-5 years | | 28,370 |
| Over 5 years | | 23,129 |
| Total | | 6,312 |
| Lending commitments | | 57,811 |

There were no mortgage loans approved by the Directors and not advanced at 31st December, 2005 (2004: Nil).

ii) Loans on life insurance policies

a) Group

| | 2005 Shs'000 | 2004 Shs'000 |
|---------------------------------------|-----------------|-----------------|
| At start of year | | |
| Loans advanced | 166,214 | 164,872 |
| Interest | 85,519 | 66,714 |
| Loan repayments | 22,452 | 20,848 |
| Less: Provision for impairment losses | (109,954) | (77,858) |
| At end of year | (333) | (8,362) |
| | 166,898 | 166,214 |

b) Company

| | | |
|---|-----------|----------------|
| At start of year | | |
| Transfer to The Jubilee Insurance Company of Kenya Limited (note 5) | 166,214 | 164,872 |
| Loans advanced | (166,214) | - |
| Interest | | 66,714 |
| Loan repayments | | 20,848 |
| Less: Provision for impairment losses | | (77,858) |
| At end of year | | (8,362) |
| | | 166,214 |

Maturity profile of loans on life insurance policies

a) Group

Loans maturing

| | | |
|---------------|---------------|----------------|
| Within 1 year | | |
| In 1-5 years | | 18,175 |
| Over 5 years | 20,436 | 93,718 |
| Total | 99,725 | 54,321 |
| | 43,797 | 166,214 |

b) Company

Loans maturing

| | | |
|---------------|--|----------------|
| Within 1 year | | |
| In 1-5 years | | 18,175 |
| Over 5 years | | 93,718 |
| Total | | 54,321 |
| | | 166,214 |

There is no concentration of credit risk with respect to mortgage loans and loans on life insurance policies.

NOTES TO THE FINANCIAL STATEMENTS
31ST DECEMBER 2005 (CONTINUED)

23. REINSURERS' SHARE OF TECHNICAL PROVISIONS AND RESERVES

| Group | 2004 Shs'000 |
|---|------------------|
| Reinsurers' share of: | |
| - unearned premium (note 32) | 402,123 |
| - notified claims outstanding (note 31) | 616,275 |
| Total | 1,018,398 |

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

24. DEFERRED ACQUISITION COSTS

| | |
|---|--------|
| a) Group | 36,387 |
| At start of year | 18,244 |
| Net increase | 54,631 |
| At end of year | 36,387 |
| b) Company | - |
| At start of year | 14,835 |
| Transfer to The Jubilee Insurance Company of Kenya Limited (note 5) | 51,222 |
| Net increase | 51,222 |
| At end of year | 51,222 |

25. GOVERNMENT SECURITIES HELD TO MATURITY

| | | |
|---|------------------|------------------|
| a) Group | | 159,756 |
| In Kenya: | | |
| Treasury bills maturing within 91 days of the date of acquisition | 25,434 | 780,478 |
| Treasury bills maturing after 91 days of the date of acquisition | 71,601 | 151,796 |
| Treasury bonds maturing within 1 year | 273,334 | 111,958 |
| Treasury bonds maturing in 1-5 years | 1,036,292 | 630,067 |
| Treasury bonds maturing after 5 years | 731,357 | |
| Outside Kenya: | | |
| Treasury bonds maturing within 1 year | 71,533 | 71,849 |
| Treasury bonds maturing in 1-5 years | 162,454 | 240,176 |
| Total | 3,252,035 | 2,146,080 |
| b) Company | | 159,756 |
| Treasury bills maturing within 91 days of the date of acquisition | | 780,478 |
| Treasury bills maturing after 91 days of the date of acquisition | | 893,821 |
| Treasury bonds maturing within 1 year | | 1,834,055 |
| Total | | 1,834,055 |

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2005 (CONTINUED)

26 . CASH AND CASH EQUIVALENTS

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

| | 2005 Shs'000 | 2004 Shs'000 |
|---|-----------------|------------------|
| Cash and cash balances | 157,801 | 213,712 |
| Short-Term deposit with banks | 547,877 | 857,587 |
| Bank overdraft | (25,190) | (61,200) |
| Treasury bills maturing within 91 days of the date of acquisition | 96,434 | 159,756 |
| Other commercial bonds | | 9,490 |
| Total | 775,922 | 1,179,345 |

27 . DEFERRED INCOME TAX

Deferred income tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2004: 30%). The movement in the deferred income tax account is as follows:

a) Group

| | | |
|----------------------------------|----------------|----------------|
| At start of year | 162,722 | 149,177 |
| Income statement (credit)/charge | (21,349) | 11,301 |
| Exchange adjustment | 1,941 | 2,244 |
| At end of year | 143,314 | 162,722 |

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

| | | |
|--|----------------|----------------|
| Deferred income tax asset | (20,928) | (58) |
| Deferred income tax liability | 164,242 | 162,780 |
| Net deferred income tax liability | 143,314 | 162,722 |

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

| | 1.1.2005 Shs'000 | Charged/ (Credited) to Profit and Loss Shs'000 | Exchange Adjustment Shs'000 | 31.12.2005 Shs'000 |
|--|---------------------|---|-----------------------------------|-----------------------|
| Fair value gains-investment properties | 188,475 | (15,103) | - | 173,372 |
| Accelerated depreciation | (8,579) | 686 | - | (7,893) |
| Provisions | (24,074) | 3,613 | 1,941 | (18,520) |
| Other deductible temporary differences | 6,900 | (10,545) | - | (3,645) |
| Net deferred income tax liability | 162,722 | (21,349) | 1,941 | 143,314 |

b) Company

| | | |
|----------------------------------|-----------------|-----------------|
| At start of year | 2005 Shs'000 | 2004 Shs'000 |
| Income statement (credit)/charge | 179,892 | 168,168 |
| Equity credit | (15,693) | 11,724 |
| At end of year | (57,163) | - |
| | 107,036 | 179,892 |

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2005 (CONTINUED)

27. DEFERRED INCOME TAX (CONTINUED)

b) Company (Continued)

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

| | 1.1.2005 Shs'000 | Credited to Profit and Loss Shs'000 | Charged/ (credited) to Equity Shs'000 | 31.12.2005 Shs'000 |
|--|---------------------|---|--|-----------------------|
| Fair value gains-investment properties | 188,475 | (9,244) | (68,099) | 111,132 |
| Accelerated depreciation | (11,579) | - | 11,579 | - |
| Provisions | (3,453) | - | (643) | (4,096) |
| Other deductible temporary differences | 6,449 | (6,449) | - | - |
| Net deferred income tax liability | 179,892 | (15,693) | (57,163) | 107,036 |

28. EARNINGS PER SHARE

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

| | 2005 | 2004 |
|---|---------|---------|
| Group | | |
| Net profit attributable to Shareholders (Shs'000) | 347,771 | 240,645 |
| Number of ordinary shares in issue (thousands) | 36,000 | 36,000 |
| Earnings per share (Shs) - Basic and diluted | 9.66 | 6.68 |

There was no potentially dilutive shares in issue at 31st December, 2005 and 31st December, 2004.

29. WEIGHTED AVERAGE EFFECTIVE INTEREST RATES

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

| | 2005 | 2004 |
|--|----------|----------|
| | % | % |
| Government securities held to maturity | 9.56 | 9.91 |
| Deposits with financial institutions | 6.68 | 7.40 |
| Mortgage loans | 14 to 16 | 14 to 16 |
| Commercial bonds | 9.08 | 5.71 |
| Loans on life insurance policies | 10 to 16 | 10 to 16 |
| Payable under deposit administration contracts | 10.50 | 9.50 |

Deposits with financial institutions have an average maturity of 3 months (2004: 3 months).

30. INSURANCE CONTRACT LIABILITIES

| | 2005 | 2004 |
|--|-----------|-----------|
| | Shs'000 | Shs'000 |
| Group | | |
| Short term insurance contracts | 1,342,522 | 1,367,503 |
| - claims reported and claims handling expenses | 136,666 | 120,141 |
| - claims incurred but reported | 1,479,188 | 1,487,644 |
| Total Short-Term | | |

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2005 (CONTINUED)

30 . INSURANCE CONTRACT LIABILITIES (CONTINUED)

| | 2005 Shs'000 | 2004 Shs'000 |
|--|------------------|------------------|
| Long term insurance contracts | | |
| - claims reported and claims handling expenses | 131,122 | 125,010 |
| - actuarial liability | 2,188,915 | 1,851,767 |
| Total Long-Term | 2,320,037 | 1,976,777 |
| Total gross insurance liabilities | 3,799,225 | 3,464,421 |

Movements in insurance liabilities and reinsurance assets are shown in note 31.

i) Short-Term insurance contracts

Gross claims reported, claims handling expenses liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvage and subrogation. The expected recoveries at the end of 2005 and 2004 are not material.

The Group uses chain-ladder techniques to estimate the ultimate cost of claims and the IBNR provision. Chain ladder techniques are used as they are an appropriate technique for mature classes of business that have a relatively stable development pattern. This involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not fully developed to produce an estimated ultimate claims cost for each accident year.

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

| Accident year | 2001 Shs'000 | 2002 Shs'000 | 2003 Shs'000 | 2004 Shs'000 | 2005 Shs'000 | Total Shs'000 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| Estimate of ultimate claims cost | | | | | | |
| - at end of accident year | 328,076 | 87,867 | 156,100 | 412,043 | 1,455,323 | 2,439,409 |
| - one year later | 318,367 | 104,936 | 156,920 | 586,619 | | 1,166,842 |
| - two years later | 319,911 | 82,079 | 215,363 | | | 617,353 |
| - three years later | 302,545 | 123,125 | | | | 425,670 |
| - four years later | 231,283 | | | | | 231,283 |
| Current estimate of cumulative claims | 231,283 | 123,125 | 215,363 | 586,619 | 1,455,323 | 2,611,713 |
| Less: cumulative payments to date | (194,106) | (69,989) | (138,563) | (382,691) | (617,068) | (1,402,417) |
| Liability in the balance sheet | 37,177 | 53,136 | 76,800 | 203,928 | 838,255 | 1,209,296 |
| Liability in respect of prior years | - | - | - | - | - | 269,892 |
| Total gross claims liability included in the balance sheet | 37,177 | 53,136 | 76,800 | 203,928 | 838,255 | 1,479,188 |

ii) Long-Term insurance contracts

Actuarial liabilities based on generally accepted actuarial principles were computed as at 31st December, 2005. The assumptions underlying the liability computation take into account the terms and conditions governing the policies, expected premiums, mortality rates, disability rates, lapse rates, maintenance expenses, inflation, investment returns and margins for adverse deviation.

The liabilities are at least equal to those based on the methods and assumptions prescribed under the Insurance Regulations.

Sensitivity analysis

The impact of reasonable changes in key valuation assumptions on the value of actuarial liabilities is not material.

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2005 (CONTINUED)

31. MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

Group

i) Short-Term insurance business

| | 2005 | | | 2004 | | |
|--------------------------------------|------------------|------------------------|----------------|------------------|------------------------|----------------|
| | Gross Shs'000 | Reinsurance Shs'000 | Net Shs'000 | Gross Shs'000 | Reinsurance Shs'000 | Net Shs'000 |
| Notified claims | 1,367,503 | 616,274 | 751,229 | 966,767 | 303,866 | 662,901 |
| Incurred but not reported | 120,141 | - | 120,141 | 84,934 | - | 84,934 |
| Total at start of the year | 1,487,644 | 616,274 | 871,370 | 1,051,701 | 303,866 | 747,835 |
| Cash paid for claims settled in year | 1,402,417 | 329,081 | 1,073,336 | 1,173,795 | 398,211 | 775,584 |
| Increase in liabilities | | | | | | |
| - arising from current year claims | 940,440 | 44,118 | 896,322 | 1,086,015 | 527,686 | 558,329 |
| - arising from prior year claims | 453,521 | 15,295 | 438,226 | 523,723 | 182,933 | 340,790 |
| Total at end of year | 1,479,188 | 346,606 | 1,132,582 | 1,487,644 | 616,274 | 871,370 |
| Notified claims | 1,342,522 | 346,606 | 995,916 | 1,367,503 | 616,274 | 751,229 |
| Incurred but not reported | 136,666 | - | 136,666 | 120,141 | - | 120,141 |
| Total at end of year | 1,479,188 | 346,606 | 1,132,582 | 1,487,644 | 616,274 | 871,370 |

ii) Long-Term insurance business

| | 2005 Shs'000 | 2004 Shs'000 |
|--------------------------------|-----------------|-----------------|
| Gross and net | | |
| At start of year | 1,851,767 | 1,583,808 |
| Premium | 442,652 | 489,658 |
| Commissions | (24,743) | (23,503) |
| Claims incurred | (196,914) | (186,358) |
| Investment income | 405,455 | 123,186 |
| Operating and other expenses | (195,964) | (179,290) |
| Share of results of associates | | |
| before income tax | 37,783 | 44,266 |
| At end of year | 2,320,036 | 1,851,767 |

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2005 (CONTINUED)

32. PROVISION FOR UNEARNED PREMIUM

Group

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

| | 2005 | | | 2004 | | |
|------------------------------|------------------|------------------------|----------------|------------------|------------------------|----------------|
| | Gross Shs'000 | Reinsurance Shs'000 | Net Shs'000 | Gross Shs'000 | Reinsurance Shs'000 | Net Shs'000 |
| At beginning of year | 955,660 | 402,123 | 553,537 | 819,918 | 205,252 | 614,666 |
| Increase in the period (net) | 237,506 | 14,700 | 222,806 | 135,742 | 196,871 | (61,129) |
| At end of year | 1,193,166 | 416,823 | 776,343 | 955,660 | 402,123 | 553,537 |

33. DIVIDENDS PER SHARE

Proposed dividend is accounted for as a separate component of equity until ratified at the Annual General Meeting. During the year, an interim dividend of Shs 27 million was paid (2004: Shs 27 million) or Shs 0.75 per share. At the Annual General Meeting on 26th June, 2006 a final dividend of Shs 117 million (2004: Shs 63 million) is to be proposed, which is Shs 3.25 per share (2004: Shs 1.75 per share). The total dividend is therefore Shs 144 million (2004: Shs 90 million) or Shs 4.00 per share (2004: Shs 2.50 per share).

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

34. CONTINGENT LIABILITIES

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

35. 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.

The following table analyses assets and liabilities into relevant maturity groupings based on the remaining period at 31st December, 2005 to the contractual maturity date:

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2005 (CONTINUED)

35. LIQUIDITY RISK (CONTINUED)

| | 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 |
|--|-----------------------------|--------------------------|---------------------------|-------------------------|----------------------------|-------------------|
| As at 31st December, 2005: | | | | | | |
| ASSETS | | | | | | |
| Property and equipment | - | - | - | - | 69,111 | 69,111 |
| Investment properties | - | - | - | - | t,890,636 | 1,890,636 |
| Investment in associates | - | - | - | - | 838,897 | 838,897 |
| Unquoted shares | - | - | - | - | 668,276 | 668,276 |
| Quoted shares | - | - | - | - | t,599,055 | 1,599,055 |
| Mortgage loans | 7,547 | 614 | 3,505 | 36,146 | 7,544 | 55,356 |
| Commercial bonds | - | - | - | 6,266 | 36t,772 | 368,038 |
| Loans on life insurance policies | 110 | 2,646 | 17,680 | 99,725 | 43,737 | 163,898 |
| Government securities held to maturity | 374,080 | 135,435 | 388,197 | t,774,297 | 580,026 | 3,252,035 |
| Deposits with financial institutions | 60,510 | 487,367 | - | - | - | 547,877 |
| Receivables arising out of reinsurance arrangements | - | 264,142 | - | - | - | 264,142 |
| Receivables arising out of direct insurance arrangements | 597,579 | 41,583 | - | - | - | 639,162 |
| Reinsurers' share of technical provisions and reserves | 6,331 | 19,039 | 738,058 | - | - | 763,428 |
| Deferred acquisition costs | 1,676 | 3,331 | 77,470 | - | - | 82,477 |
| Other receivables | 187,465 | - | - | - | - | t87,465 |
| Deferred income tax | - | - | 20,928 | - | - | 20,928 |
| Current income tax | - | - | 22,t22 | - | - | 22,t22 |
| Cash and bank balances | 157,801 | - | - | - | - | 157,801 |
| Total assets | 1,393,099 | 954,157 | 1,267,960 | 1,916,434 | 6,059,054 | 11,590,704 |
| LIABILITIES AND SHAREHOLDERS' FUNDS | | | | | | |
| Shareholders' funds | - | - | - | - | 2,370,417 | 2,370,417 |
| Minority interest | - | - | - | - | 258,211 | 258,211 |
| Insurance contract liabilities | 207,577 | 138,184 | 1,264,549 | - | 2,188,915 | 3,799,225 |
| Payable under deposit administration contracts | - | - | - | - | 2,926,248 | 2,926,248 |
| Provision for unearned premium | 23,652 | 45,044 | t,124,470 | - | - | 1,193,166 |
| Creditors arising out of reinsurance arrangements | - | 179,295 | - | - | - | 179,295 |
| Other payables | 570,307 | - | - | - | - | 570,307 |
| Deferred income tax | - | - | - | - | 164,242 | 164,242 |
| Current income tax payable | - | - | 30,086 | - | - | 30,086 |
| Dividends payable | 74,317 | - | - | - | - | 74,317 |
| Bank overdraft | 25,190 | - | - | - | - | 25,190 |
| Total liabilities and Shareholders' funds | 901,043 | 362,523 | 2,419,105 | - | 7,908,033 | 11,590,704 |
| Net liquidity gap | 492,056 | 591,634 | (1,151,145) | 1,916,434 | (1,848,979) | - |
| As at 31st December, 2004: | | | | | | |
| Total assets | 976,852 | 880,075 | 2,178,389 | 488,686 | 5,199,840 | 9,723,842 |
| 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) | - |

The matching 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 2005 (CONTINUED)

36. CURRENCY RISK

The Group is exposed to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Group had the following foreign currency positions (all amounts expressed in Kenya Shillings '000):

| As at 31 st December, 2005: | US Dollars Shs'000 | Uganda Shillings Shs'000 | Tanzania Shillings Shs'000 | Mauritius Rupees Shs'000 | Indian Rupees Shs'000 | Total Shs'000 |
|--|--------------------------|--------------------------------|----------------------------------|--------------------------------|-----------------------------|------------------|
| ASSETS | | | | | | |
| Property and equipment | - | 23,441 | 6,521 | 1,056 | 528 | 31,546 |
| Investment properties | - | 764,236 | - | - | - | 764,236 |
| Investment in subsidiaries | - | 16,749 | - | - | - | 16,749 |
| Investment in associates | - | 87,215 | - | - | - | 87,215 |
| Unquoted shares | - | 134 | 296 | - | - | 430 |
| Quoted shares | - | 114,629 | 65,153 | - | - | 179,782 |
| Mortgage loans | 13,596 | - | - | - | - | 13,596 |
| Commercial bonds | 362,905 | 6,266 | - | - | - | 369,171 |
| Government securities held to maturity | - | 74,534 | 134,807 | 34,645 | - | 243,986 |
| Deposits with financial institutions | 265,120 | 92,441 | 98,669 | - | - | 456,230 |
| Receivables arising out of reinsurance arrangements | - | 118,740 | 26,764 | - | - | 145,504 |
| Receivables arising out of direct insurance arrangements | - | 153,117 | 151,590 | 5,255 | - | 309,962 |
| Reinsurers' share of technical provisions and reserves | - | 148,184 | 250,615 | - | - | 398,799 |
| Other receivables | - | 23,742 | 13,535 | 70,326 | 4,082 | 111,685 |
| Deferred income tax | - | 13,963 | 1,090 | - | - | 15,053 |
| Cash and bank balances | 17,626 | 16,312 | 33,524 | 2,852 | 1,011 | 71,325 |
| Total assets | 659,247 | 1,653,703 | 782,564 | 114,134 | 5,621 | 3,215,269 |
| LIABILITIES AND SHAREHOLDERS' FUNDS | | | | | | |
| Shareholders' funds | - | 227,601 | 131,419 | 18,894 | 1,790 | 379,704 |
| Minority interest | - | 126,460 | 126,266 | 5,485 | - | 258,211 |
| Insurance contract liabilities | - | 188,976 | 228,878 | 14,839 | - | 432,693 |
| Payable under deposit administration contracts | - | 44,477 | 19,576 | - | - | 64,053 |
| Provision for unearned premium | - | 208,522 | 295,555 | - | - | 504,077 |
| Creditors arising out of reinsurance arrangements | - | 82,165 | 38,248 | 25,967 | - | 146,380 |
| Other payables | - | 354,690 | 111,448 | 47,948 | 3,831 | 517,917 |
| Current income tax payable | - | 15,054 | - | - | - | 15,054 |
| Bank overdraft | - | - | - | 66 | - | 66 |
| Total liabilities and Shareholders' funds | - | 1,247,945 | 951,390 | 113,199 | 5,621 | 2,318,155 |
| Net balance sheet position | 659,247 | 405,758 | (168,826) | 935 | - | 897,114 |
| As at 31st December, 2004: | | | | | | |
| Total assets | 322,930 | 1,614,787 | 703,540 | 404,852 | 20,227 | 3,066,336 |
| Total liabilities and Shareholders' funds | - | 934,927 | 860,319 | 364,984 | 20,227 | 2,180,457 |
| Net balance sheet position | 322,930 | 679,860 | (156,779) | 39,868 | - | 885,879 |