Contents

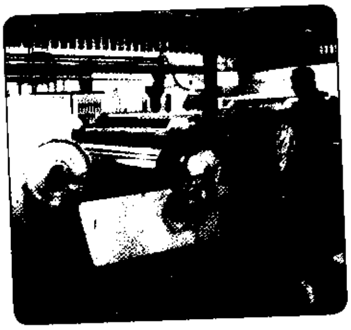
2	Group Information
3	Notice of the Annual General Meeting
6	Board of Directors
8	Senior Management
10	Chairman's Statement
13	Report of the Directors
14	Statement of Directors' Responsibilities
16	Corporate Governance Statement
18	Report of the independent auditor to the members of Jubilee Holdings Limited
20-75	Financial Statements:
20	Consolidated Profit and Loss Account
21	Consolidated Statement of Comprehensive Income
22	Consolidated Balance Sheet
23	Company Balance Sheet
24	Consolidated Statement of Changes in Equity
25	Company Statement of Changes in Equity
26	Consolidated Statement of Cash Flows
27-74	Notes to the Financial Statements
78	Supplementary Information – Group Review 10 years
79	Proxy Form
81	Additional Group Information

IPS Power Investments Limited

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.

Industrial Promotion Services (Kenya) Limited

The principal activity of IPSKL is that of project development within the private sector.
It currently has investments in the manufacturing, agriculture and leather sectors.

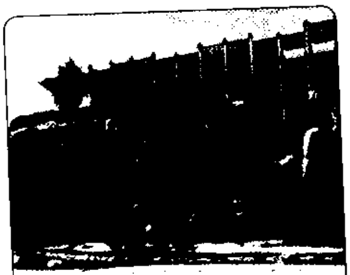


AllPack Industries Limited

AllPack Industries Limited is a corrugated cartons manufacturing company, which enjoys market leadership in Kenya.

Property Development & Management Limited

PDML is involved in property investments, developments and management. Some of the prime commercial and residential properties it owns include the Nation Center, IPS Building, Cambrian Building and Vienna Court.



TPS East African Limited (Serena Hotels)

Operating under the "Serena" brand name, Tourism Promotion Services (TPS) owns and manages 32 hotels in Africa and Asia. Its mandate is to invest in projects in selected areas of the developing world that are not only economically sound, but also have a long-term development potential.

Diamond Trust Bank Kenya Limited

DTB is a commercial bank which offers a wide range of corporate, retail and commercial banking services to individuals and corporations throughout the region. DTB has a regional presence in Kenya, Tanzania, Uganda and Burundi.

Bujagali Holding Power Company Ltd.

Bujagali Holdings Power Limited is an investment company which, through its subsidiary, has invested in the equity of Bujagali Energy Limited, an electricity generating company in Uganda. The project with a total capital outlay of $860 million is presently under construction in Uganda. The project will generate 250MW of electricity and is expected to come into operation in 2011. The project is the largest privately financed hydro power project in Africa and was awarded "Africa Deal of the Year 2007" by Euro Money Project Finance Magazine of London.

Seacom, IPS Cable Systems Ltd.

IPS Cable Systems Limited is an investment vehicle company which has invested in the $ 650 million (15,000 km) Seacom submarine fiber optic cable project. This project, which links South Africa, Mozambique, Madagascar, Kenya and Tanzania with other international broadband cables will provide low cost and high quality broadband capacity.

Group information

Capital and reserves	Shs' 000
Authorised Capital	225,000
Issued Capital	225,000
Paid-up Capital	225,000
Retained Earnings	3,142,327

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

Subsidiaries
The Jubilee Insurance Company of Tanzania Limited (51%)
The Jubilee Insurance Company of Uganda Limited (65%)
The Jubilee Insurance Company of Kenya Limited (100%)
Jubilee Investments Company Limited (Uganda) (100%)
Jubilee Investments Tanzania Limited (100%)
Jubilee Financial Services Limited (100%)
Jubilee Insurance (Mauritius) Ltd (80%)

Associates
Property Development and Management Limited (37.10%)
IPS Power Investment Limited (27.00%)
Bujagali Holding Power Company Limited (25.0%)
FCL Holdings Limited (30%)
IPS Cable Systems Limited (33.3%)

Auditor
PricewaterhouseCoopers

Corporate Lawyers
Daly & Figgis Advocates

Shares Registrar
Jubilee Holdings Limited

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

Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that the 72nd ANNUAL GENERAL MEETING of the Shareholders will be held at the Nairobi Serena, Kenyatta Avenue, on Monday June 14th 2010 at 11:00 a.m. to transact the following business:

1. To consider and, if thought fit, to adopt the Consolidated Accounts for the year ended 31st December, 2009, the Report of the Directors and the Report of the Auditor thereon.

2. To confirm the payment of the interim dividend of 20% made on 9th October, 2009 and approve the payment of a final dividend of 70% on the issued and paid-up capital of the Company on or about 9th July, 2010 to the Shareholders registered as at 14th June, 2010.

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

   (a) Mr. Juma Kisaame
   (b) Mr. John Metcalf

4. To approve the Directors' remuneration.

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

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

6. **Increase of Authorised Share Capital**

   "RESOLVED that the authorised share capital of the Company be and is hereby increased from the current Shs 225,000,000 divided into 45,000,000 ordinary shares of par value Shs 5 per share to Shs 247,500,000 divided into 49,500,000 ordinary shares of par value Shs 5 per share ranking *pari passu* in all respects with the existing ordinary shares in the capital of the Company"

7. **Bonus Issue**

   "RESOLVED that, pursuant to Article 128 of the Articles of Association and subject to the passing of resolution 6 above and to approval from the Capital Markets Authority and the Nairobi Stock Exchange, the retained profits amounting to Shs 22,500,000 be capitalised and the Directors be and are hereby authorised and directed to utilise such sums to the holders of ordinary shares as at 14th June 2010 and to apply such sum on behalf of such holders in paying up in full at par value 4,500,000 ordinary unissued shares in the capital of the Company, such shares to be allocated and credited as fully paid up to and amongst such holders in the proportion of One New Ordinary Share for every Ten Ordinary shares as held on June 14th 2010 upon the terms that such new shares when issued shall not rank for dividend in respect of the year ended 31st December 2009 but shall rank, in all other respects, *pari passu* with the existing ordinary shares of the Company and the Directors be and are hereby authorised to do all acts required to give effect to this resolution and deal with fractions in such manner as they think fit subject always to the Articles of Association of the Company"

To consider and, if approved, to pass the following Special Resolutions authorising the amendment of the Company's Articles of Association:

8. **Submission of Balance Sheets and Profit and Loss Accounts**

   "RESOLVED that Article 133 of the Company's Articles of Association be amended by the deletion of the current Article 133 and the adoption of the following new Article 133:

   (a) A copy of every balance sheet (including every document required by law to be annexed thereto) which is to be laid before the Company in general meeting, together with a copy of the Auditors' report, (together the 'Accounts") shall, not less than twenty-one days before the date of the meeting be sent, or to the extent permissible by law, be otherwise made available by electronic means, to every Member of, and every holder of debentures in the Company.

   (b) The Accounts may be sent by post or otherwise be made available to the extent permissible by law, by electronic means and not by post. This Article shall not require a copy of the Accounts to be sent to more than the first named of any joint holders of any shares or debentures. To the extent permissible by law the Company may send the Accounts to all persons entitled thereto by publishing the Accounts on the Company's official website and if available on the official website of the Nairobi Stock Exchange, provided that the Company shall contemporaneously print its latest balance sheet and last profit and loss statements together with the Auditor's report in two Kenyan daily newspapers with wide circulation for two consecutive days drawing attention to the website(s) on which the Accounts in full may be read, and the address to which a request for a printed copy of the Accounts may be submitted and upon any such publication the Accounts shall be deemed to have been sent to every Member or other person entitled to receive a copy of the Accounts."

Notice of the Annual General Meeting (Continued)

9. Method of Payment of Dividends

"RESOLVED that Article 123 of the Company's Articles of Association be amended by the deletion of the current Article 123 and the adoption of the following new Article 123:

Any dividend, capital repayment or other money payable in cash may be paid:

(a) By cheque or warrant sent through the post to the registered address of the Member or the person entitled thereto, and in case of joint holders, to any one of such joint holders or to such person or such address as the holder or joint holders may direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders may direct and payment of the cheque if purporting to be endorsed or enfaced by the addressee shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby; or

(b) By direct debit, bank transfer or other automated system of bank transfer, electronic or mobile money transfer system transmitted to such bank or electronic or mobile telephone address as shown in the share register of the Company

Every such cheque, warrant or funds transfer shall be made payable to or to the order of the person to whom it is sent or to such person who may be entitled to the same. Payment of the cheque or warrant or confirmation of the payment having been made by the transmitting entity to the addressee of a direct debit, bank transfer or other automated system of bank transfer or via a mobile money transfer system shall, in each case, be a good discharge to the Company. Every such payment whether by cheque or warrant or electronic funds transfer or mobile money payment system shall be sent at the risk of the person entitled to the money represented by it.

By order of the Board

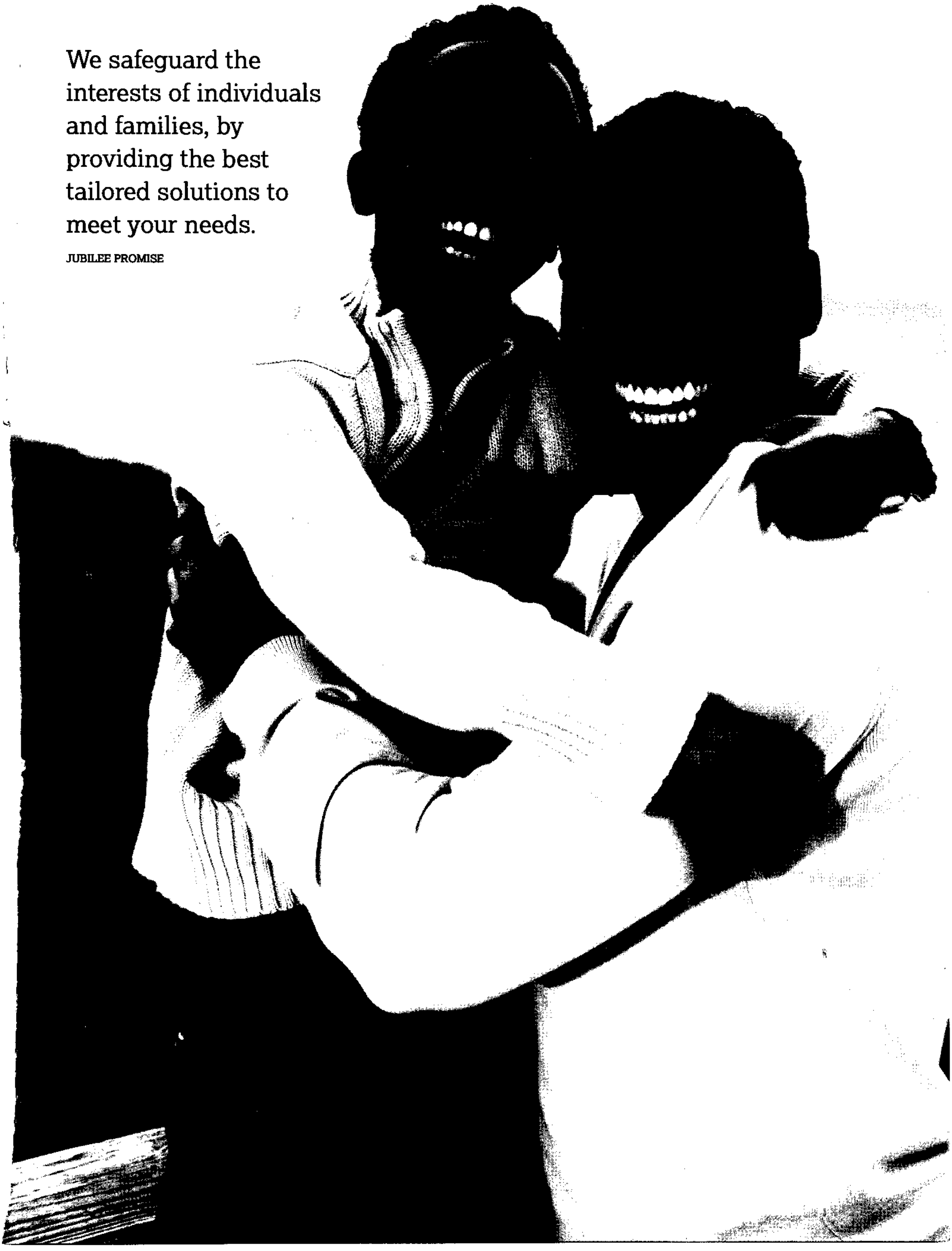
J L Oyuyo Githinji
Ag. Company Secretary
Nairobi
26th March, 2010

Note:

A member entitled to attend and vote at this meeting may appoint a proxy to attend and vote on his/her behalf and such proxy need not be a member of the Company. The proxy form is attached to this Annual Report.

We safeguard the interests of individuals and families, by providing the best tailored solutions to meet your needs.

JUBILEE PROMISE



| Board of Directors

Left to right:

■
Lutaf R Kassam Director
Mr. Kassam joined the Board in April 2006 and chairs its Finance Committee. Currently, he is the Group Managing Director of Industrial Promotion Services Limited in East Africa. Mr. Kassam is also a Director on the Board of the Aga Khan Fund for Economic Development, the Kenya Association of Manufacturers, the National Social and Economic Council in Kenya and is 1st Vice Chairman of the Nairobi Stock Exchange Board of Directors.

■
Nizar N Juma Chairman
Mr. Juma is the Chairman of Jubilee Holdings Limited and its subsidiaries, and has served in this capacity since July 2004. He is also a Director of Diamond Trust Bank (DTB) and the regional Chairman of the Industrial Promotion Services group of Companies. Mr. Juma was awarded the Silver Star by H.E The President of Kenya in 1982.

■
Juma Kisaame* Director
Mr. Kisaame joined the Board in June 2006, and is currently the Managing Director of Development Finance Company of Uganda Limited (DFCU).
Prior to joining DFCU, Mr. Kisaame was the Managing Director of the Eurafrican Bank in Tanzania.

■ ■
Tom D Owuor Director
Mr. Owuor has served on the Board since 1998. Until 2004, he was the Executive Director of the Federation of Kenya Employers, a position he held from 1976.

■
Ramadhani K Dau** Director
Dr. Dau joined the Board in June 2006, and is currently the Director-General of the National Social Security Fund (NSSF) in Tanzania. Prior to his appointment at the NSSF in 2001, Dr. Dau held various academic posts at the University of Dar es Salaam.

■ ■
John J Metcalf*** Director
Mr. Metcalf was appointed to the Board in November 2006. He has extensive international experience in the insurance industry, and is currently Head of Insurance for the Aga Khan Fund for Economic Development.

Jackie Oyuyo Githinji
Acting Company Secretary
Ms. Oyuyo is the Acting Company Secretary of the Jubilee Group of companies. Ms. Oyuyo has over ten years legal experience and holds an MBA in Global Technology Management. She is an Advocate of the High Court of Kenya, a Certified Public Secretary and a Member of the Chartered Institute of Arbitrators.

Sultan A Allana**** Director
Mr. Allana was appointed a Director of the Company in April 2006, and is presently the Chairman of Habib Bank Limited as well as a Director of the Aga Khan Fund for Economic Development.

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

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

Senior Management

Ravi Soundararajan, General Manager - Jubilee Tanzania

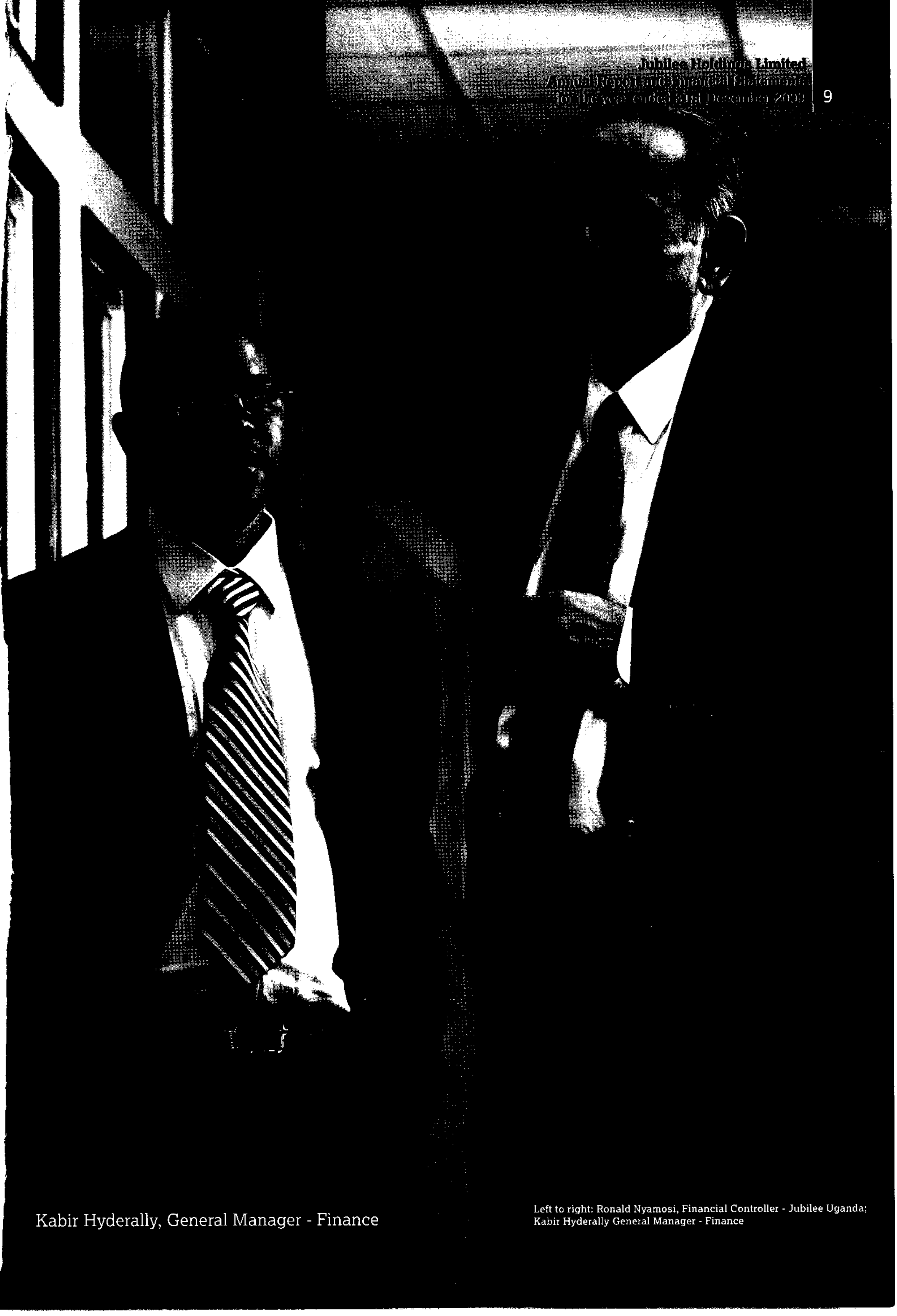
Patrick Tumbo Nyamemba, General Manager - Jubilee Kenya

Left to right: Mehdi Janmohamed, Group Chief Operating Officer - Jubilee Holdings with Deepak Pandey, General Manager - Jubilee Uganda

Left to right: Lydia Kibaara-Nzioki, Head of Medical Insurance; Azim Dawood, Head of Life Insurance, David Ogega, Head of Pensions Business

Michael Oduor, Deputy General Manager - General Insurance

Left to right: CG Muralidharan, Financial Controller - Jubilee Tanzania and Vijay Mehrotra, Deputy General Manager - Jubilee Tanzania



Kabir Hyderally, General Manager - Finance

Left to right: Ronald Nyamosi, Financial Controller - Jubilee Uganda;
Kabir Hyderally General Manager - Finance

Chairman's Statement

Dear Shareholders,

Amidst the unprecedented challenges of the global economic crisis, the Jubilee Group remains in very good shape. This is reflected in our 2009 results which have delivered strong growth in premiums, underwriting profit and net revenues. In particular I am especially proud to inform you that Jubilee has now joined the "billionaires profit club" having achieved a record pre-tax profit of Shs 1.12 Billion.

During 2009 we continued to sharpen strategies and drive the programmes that will enhance our service delivery, diversify distribution channels, launch innovative products and position the company to generate strong growth in the future. We are also now well positioned to leverage our strengths to accelerate plans for regional expansion.

The insurance business environment remains highly competitive, as evidenced by rate cutting across all of our markets. Despite these difficult market conditions, Jubilee has recorded impressive and profitable growth in all of our East African insurance subsidiaries. As a result, Jubilee has reinforced its position as the largest insurance group in East Africa, growing strongly to generate gross written premiums of Shs 9.1 billion in 2009. This has allowed Jubilee to confirm its overall position as the largest composite insurance company in Kenya and the leading short term insurer for two years running; Jubilee is also the overall market leader in Uganda and has consolidated its position in the Tanzanian market over 2009.

National Economy

In light of the prevailing economic environment, Gross Domestic Product is estimated to have increased by about 2.5% for the whole year 2009 which is better than the growth of 1.7 % in 2008. Month-on-month overall inflation rate (using the geometric mean approach) stood at 9.2% for 2009 (2008: 16.2%).

The year saw a fall in short term interest rates with the bench mark 91 day Treasury Bills falling to 6.82% at the end of 2009 from 8.54% at the end of 2008.

In the year under review, the Kenya shilling depreciated marginally by 2.5% and 2.0% against the dollar and euro respectively but appreciated by 9% against the pound

In the capital markets, the NSE 20 Share index declined to 3247 in December 2009 from 3521 in December 2008. However, there has been a significant improvement of over 25% in the share index during the first quarter of the current year.

Financial Performance

Jubilee has reported a Group Profit Before Tax of Shs 1.12 billion, up from Shs 901 million in 2008 and Gross Written Premiums increased by 22% to Shs 9.1 billion, (2008: 7.6 billion) which significantly out-stripped key peers across our markets. These results, achieved under very difficult market conditions, underline the importance which we have placed on sound risk management and underwriting discipline. This has allowed Jubilee to post a record underwriting profit of Shs 367.7 million in 2009, a significant increase of 39% over 2008.

Based on Jubilee Group's performance in 2009, I am pleased to report that your Board has recommended a dividend payout for the year of 90% (2008: 85%), on the share capital. An interim dividend of 20% (Shs 1.00 per share) was paid on 9th October 2009. The Board is seeking your approval for a final dividend of 70% (Shs 3.50 per share) bringing the total dividend for 2009 to Shs 202.5 million (2008: Shs 191.3 million). In addition, the Board has also recommended, subject to the requisite regulatory approvals, a Bonus issue in the ratio of 1:10.

General Insurance Performance

Jubilee's general insurance gross written premium grew by 17% to reach Shs 4,356 billion (2008: Shs 3,712 billion) and recorded an underwriting profit of Shs 336 million as compared to a Shs 227 million in 2008. Each of our insurance subsidiaries in Kenya, Uganda and Tanzania contributed to this underwriting result and the consolidated combined ratio was 90.8%, which is an outstanding achievement. This reflects strategies implemented to improve operaling

"Strong growth and record profits: a great year for both the Group and its investors."

efficiency and our continued focus on risk management and product diversification which has allowed the Company to improve the underlying profitability of the general insurance portfolio.

Medical Insurance Performance

The Group's medical insurance premium grew by 31% to reach Shs 1,991 billion (2008: Shs 1,522 billion). Jubilee consolidated and enlarged its medical insurance business market leadership in Kenya and also made significant strides to build a presence in the Ugandan and Tanzanian medical insurance markets. However, we are not satisfied with the operating performance of the medical business segment, where we face severe and often irrational price competition. To address this, Jubilee will continue to invest in human resources, systems and product enhancements to further build differentiation and competitive advantage.

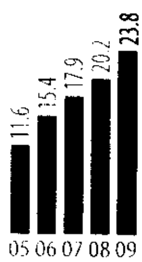
Life Insurance Performance

The gross life insurance premium income and deposit administration inflows demonstrated strong growth of 22% to Shs 2,840 billion from Shs 2,324 billion in 2008. This reflects the Group's strategy to expand its life insurance portfolio, as evidenced by a 22% growth in new business in 2009 and our entry into the individual life market in Uganda during the second half of the year.

Our 2009 declared and credited net rate of return of 8.2% (2008: 8.0%) by the Kenyan insurance subsidiary on the retirement benefit funds in the Guaranteed Fund will once again be one of the highest among the leading insurers in Kenya.

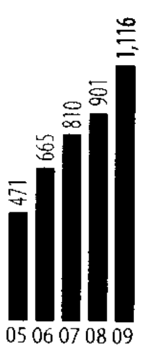
Group Operations

Jubilee significantly strengthened its regional senior management team during 2009 to establish the capability to consolidate its position as the leading insurance franchise in East Africa and prepare for regional expansion. Investments have been made in information technology and new financial



23.8

Total Assets Shs bn



1,116

Profit Before Tax Shs m

Chairman's Statement (Continued)

management systems were implemented in the year as a first step towards upgrading our technology base. The subsidiary insurance companies in Kenya, Uganda and Tanzania all performed well during the year with all companies contributing positively to the Group's growth whilst increasing underwriting profitability and market share. The run-off insurance business of Jubilee Insurance (Mauritius) Ltd is ongoing and we will continue to monitor the assets and liabilities until fully discharged. The Board of Jubilee Kenya recommended the increase of the paid up share capital of the Kenyan insurance subsidiary from Shs 450 million to Shs 700 million in order to support its business growth strategy. In 2009, Jubilee Kenya wrote Shs 6.43 billion in premium and realised Shs 677 million in profit before tax.

Corporate Social Responsibility

Challenges in the business environment of the kind that were experienced in 2009 result in budget cuts for even the strongest of corporates, and social programs are often the first to suffer. But as every responsible corporate knows, when the economy takes a dip the need of the people is greater than ever.

In 2009, Jubilee consciously increased the number and scope of CSR projects that we engaged in. We partnered with leading corporate and social organisations and invested our time and money into improving the quality of life of East Africans. Through projects such as the Save a Life Fund, the Mater Heart Run, the UUNet Ear Run, the Standard Chartered marathon and the AMREF Medical camp, each of which targeted a particular social or health-related affliction such as famine, cardiac illness and blindness, Jubilee contributed to improving the well-being of local communities.

Board of Directors

The Directors who held office in 2009 are listed on page 16 of this Report. There were no changes to the composition of your Board of Directors in the year under review. The Board continues to reflect your Company's regional outlook, while drawing from the key experience and skills that continue to steer your Company to greater heights in achieving its strategic objectives.

Outlook

The business and regulatory environment will remain challenging in 2010 and accurate forecasts of market trends remain difficult. However, our diversified business model proved robust in 2009 and our insurance companies will continue to focus on risk selection and management, so as to balance our entrepreneurial approach to business opportunities whilst protecting profitability.

Investments in new business systems are well advanced to ensure that the Group can enhance customer service whilst maintaining its position as the leading multi-line insurance brand in East Africa. We believe that in difficult times there are customers who will place increasing emphasis on financial strength and quality.

The challenges of the current economic environment will also bring opportunities for insurers such as Jubilee with the financial strength, expertise and depth of resources to execute development initiatives and regional expansion.

Your Company now provides insurance protection to more than 250,000 clients across East Africa, and will continue to increase its reach for the convenience of its existing and potential customers in the region.

I am confident that with our strengths, strategies and the resolve to provide the highest level of service in the industry, we're on the right track for continued growth and prosperity.

Appreciation

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 our excellent results. I thank them for their personal commitment and direction that has been a key ingredient in positioning your Company to be the clear market leader in East Africa. I would also like to thank staff throughout the region who has continued to render excellent service to the Group. I also acknowledge with appreciation my colleagues on the Board and those on the Boards of the subsidiaries for their diligence, guidance and support.

Nizar N Juma
Chairman
26th March 2010

Report of the Directors

The Directors submit their report together with the audited consolidated financial statements for the year ended 31st December, 2009 which disclose the state of affairs of Jubilee Holdings Limited (the "Company") and its subsidiary companies (together the "Group").

Country of incorporation

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

Principal activities

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

Results

The following is the summary of the results for the year ended 31st December, 2009:

	2009 Shs'000	2008 Shs'000
Group profit before income tax	1,115,776	900,692
Income tax expense	(202,103)	(187,457)
Group profit after income tax	**913,673**	713,235
Non controlling interest	(88,691)	(76,994)
Profit attributable to shareholders	**824,982**	**636,241**

Dividend

An interim dividend of Shs 1.00 per share amounting to Shs 45 million (2008: 45 million) was paid on 9th October, 2009. The Directors recommend a final dividend of Shs 3.50 per share amounting to Shs 157.5 million (2008: Shs 146.3 million) for approval by the Shareholders. The total dividend for the year represents 90% of the issued share capital as at 31st December, 2009 (2008: 85%).

Directors

The directors who held office during the year under review and up to the date of this report were:

Nizar N Juma (Chairman)
Sultan A Allana*
Ramadhani K Dau**
Juma Kisaame***
Lutaf R Kassam
Sultan K Khimji
John J Metcalf ****
Tom D Owuor

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

Auditor

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

On behalf of the Board

Nizar N Juma
Chairman
Nairobi, 26th March, 2010

Statement of Directors' responsibilities

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

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

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

Nizar N Juma
Chairman

Sultan Khimji
Director
26th March, 2010

In working together we will achieve prosperity.

TEAM JUBILEE

Corporate governance statement

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

Board of Directors

The Board draws from its collective extensive experience in investment, finance, insurance and human resource management in order to provide strategic guidance to the Group. The Directors who held office during the year under review and to the date of this report are listed on page 13. The Board comprises eight non-executive Directors and, pursuant to the Company' Articles of Association, has delegated authority to three Committees as listed on pages 6 and 7. These committees operate under clearly articulated terms of reference which clarify their responsibilities and scope of authority. The Committees have unrestricted access to Group information, and are authorised by the Board to obtain independent professional advice in the discharge of their functions. The Committees report to the Board through their respective chairmen at each Board meeting.

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

Board Audit and Compliance Committee:

Sultan Khimji (Chairman), Juma Kisaame, Tom Owuor, Shiraz Pira*.

Board Finance Committee:

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

Board Nominating and Remuneration Committee:

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

For services on the Board and its Committees, the Directors receive remuneration approved by shareholders at the Annual General Meeting. In 2009, the aggregate amount of emoluments received by the Directors is shown under note 16 (ii) on page 65 of the financial statements. No loans were advanced to the Directors during the year under review.

**Shiraz Pira, a Director of The Jubilee Insurance Company of Tanzania Limited, has been co-opted onto the Board Audit and Compliance Committee in accordance with its charter.*

Anti-Fraud Policy

In addition to the code of business ethics, the Company has updated its anti-fraud policy to bring it in line with current best practices and to better reflect the changing face of business in an increasingly automated world. This policy serves to reinforce the Company's zero tolerance on fraud and corruption by providing a framework for reporting and investigating fraud and ensuring fast and appropriate response to alleged incidences of fraud. All incidences of fraud and the action taken are reported to the Board.

Directors' interest in the shares of the company as at 31st December, 2009

Name	Number of shares held
Mr Sultan K Khimji *(including shares held by his family and company in which he has an interest)*	8,238

Corporate governance statement (Continued)

Distribution of Shareholders as at 31st December, 2009

Number of shares	Number of shareholders	Number of shares held	% Shareholding
Less than 500	1,411	283,053	0.63
501 – 5,000	3,948	6,997,072	15.55
5,001 – 10,000	520	3,682,617	8.18
10,001 – 100,000	383	9,387,827	20.86
100,001 – 1,000,000	17	4,819,668	10.71
Over 1,000,000	2	19,829,763	44.07
Total	**6,281**	**45,000,000**	**100**

List of 10 Largest Shareholders as at 31st December, 2009

	Names	Number of shares held	% Shareholding
1	Aga Khan Fund for Economic Development	17,093,182	37.98
2	Ameerali K. Somji &/or Gulzar Ameerali K Somji	2,736,581	6.08
3	United Housing Estate Limited	816,480	1.81
4	Adam's Brown and Co. Ltd.	803,990	1.79
5	Craysell Investment Limited	767,793	1.71
6	Ameerali N Esmail	600,070	1.33
7	Noorali Rashid Sayani and Gulshan Noorali Sayani	225,090	0.50
8	Mahendra Krishnalal Adalja	175,000	0.39
9	Mulchand Narshi Shah	150,261	0.33
10	Gulbanu Akberali Gulamhusein Nanji	147,600	0.33
	Total	**23,516,047**	**52.25**

Report of the independent auditor to the members of Jubilee Holdings Limited

We have audited the accompanying consolidated financial statements of Jubilee Holdings Limited (the "company") and its subsidiaries (together, the "group"), as set out on pages 20 to 75. These financial statements comprise the consolidated balance sheet at 31st December 2009 and the consolidated profit and loss account, statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, together with the balance sheet of the company standing alone as at 31st December 2009 and the statement of changes in equity of the company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the group and of the company at 31st December 2009 and of the profit and cash flows of the group for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

Report on other legal requirements

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

i. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii. in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books;

iii. the company's balance sheet and profit and loss account are in agreement with the books of account.

PRICEWATERHOUSECOOPERS

Certified Public Accountants
Nairobi
29th March 2010

Children are the world's most valuable resource and its best hope for the future.

JOHN F. KENNEDY

Consolidated Profit and Loss Account

	Notes	2009 Shs '000	2008 Shs '000
Gross earned premium revenue	6	7,069,039	5,854,638
Less: outward reinsurance	6	(2,118,905)	(1,731,352)
Net insurance premium revenue		4,950,134	4,123,286
Investment and other income	7	1,322,389	1,783,090
Commission earned		454,328	386,909
Net fair value gains/(losses) on financial assets at fair-value-through profit & loss		322,961	(508,779)
Total income		7,049,812	5,784,506
Claims and policy holders benefits payable	8	4,838,974	3,898,592
Claims recoverable from re-insurers	8	(848,806)	(714,905)
Net insurance benefits and claims		3,990,168	3,183,687
Operating and other expenses	9	1,195,505	1,084,650
Finance costs		46,372	51,785
Commission payable		943,517	719,303
Total expenses and commissions		2,185,394	1,855,738
Result of operating activities		874,250	745,081
Share of result of associates	15(i)	241,526	155,611
Group profit before income tax		1,115,776	900,692
Income tax expense	11	(202,103)	(187,457)
Profit for the year		913,673	713,235
Attributable to:			
Equity holders of the Company		824,982	636,241
Non-Controlling Interest		88,691	76,994
Total		913,673	713,235
Earnings per share attributable to the equity holders:			
Basic and diluted	27	18.33	14.14

The notes on pages 27 to 75 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

	Total 2009 Shs'000	**Total 2008 Shs'000**
Profit for the year	913,673	**713,235**
Other comprehensive income (net of tax)		
Change in fair value of financial assets at fair value through other comprehensive income	(108,831)	**(1,282,894)**
Net translation (loss)/gain	(24,080)	**102,726**
Total other comprehensive income for the year	**(132,911)**	**(1,180,168)**
Total comprehensive income for the year	780,762	**(466,933)**
Attributable to:		
- Owners	708,869	**(543,927)**
- Non-controlling interest	71,893	**76,944**
Total comprehensive income for the year	780,762	**(466,933)**

The notes on pages 27 to 75 are an integral part of these consolidated financial statements.

Consolidated balance sheet

	Notes	2009 Shs'000	2008 Shs'000
Capital and reserves			
Share capital	12	225,000	225,000
Fair value reserves	13(a)	(461,168)	(531,507)
General reserves	13(b)	70,000	70,000
Contingency reserves	13(d)	232,225	186,400
Translation reserves	13(c)	22,957	32,196
Retained earnings		3,142,327	2,742,884
Proposed dividends		157,500	146,250
Sub total		**3,388,841**	**2,871,223**
Non-controlling interest		405,257	333,365
Total equity		**3,794,098**	**3,204,588**
Assets			
Property and equipment	17	50,277	44,737
Investment properties	18	2,573,933	2,471,390
Investment in associates	15	3,710,320	2,223,603
Investment in shares			
- Unquoted shares	20	1,051,593	1,192,045
- Quoted shares at fair value through profit & loss	19	3,195,710	3,925,287
- Quoted shares at fair value through other comprehensive income	19	844,585	-
Mortgage loans	21(i)	51,236	41,345
Loans on life insurance policies	21(ii)	196,324	189,895
Government securities at amortised cost	24	4,232,441	3,038,667
Deposits with financial institutions		3,247,958	2,818,292
Commercial bonds		305,243	10,110
Receivables arising out of reinsurance arrangements		683,526	640,796
Receivables arising out of direct insurance arrangements		1,033,698	913,739
Reinsurers' share of insurance contract liabilities	22	1,687,819	1,417,278
Deferred acquisition costs	23	123,525	112,440
Other receivables		452,009	309,322
Deferred income tax	26	2,801	2,801
Current income tax		56,558	72,709
Cash and bank balances	25	236,816	778,368
Total assets		**23,736,372**	**20,202,824**
Liabilities			
Insurance contract liabilities	28	6,589,305	5,783,988
Payable under deposit administration contracts	14	7,644,098	5,967,517
Unearned premium reserve	31	2,512,986	2,110,693
Creditors arising out of direct insurance arrangements		204,924	186,961
Creditors arising out of reinsurance arrangements		890,216	765,071
Trade and other payables		636,114	821,205
Deferred income tax	26	187,556	190,259
Current income tax payable		117,551	57,455
Dividends payable		109,995	92,537
Bank overdraft	33	64,394	945
Borrowings	33	985,135	1,021,605
Total liabilities		**19,942,274**	**16,998,236**
Net assets		**3,794,098**	**3,204,588**

The financial statements on pages 20 to 75 were approved by the Board of Directors on 26th March, 2010 and signed on its behalf by:

Nizar N Juma Chairman **Sultan Khimji** Director

The notes on pages 27 to 75 are an integral part of these consolidated financial statements.

Company balance sheet

	Notes	2009 Shs'000	2008 Shs'000
Capital and reserves			
Share capital	12	225,000	225,000
Fair value reserves	13(a)	2,028	(15,855)
General reserves		70,000	70,000
Retained earnings		1,569,976	1,650,326
Proposed dividends		157,500	146,250
Total equity		**2,024,504**	**2,075,721**
Assets			
Investment properties	18	760,000	760,000
Investment in subsidiaries	15 (ii)	721,380	670,882
Investment in associates	15 (i)	919,124	-
Investment in shares			
- Unquoted shares	20	6,081	346,271
- Quoted shares at fair value through other comprehensive income	19	402,568	-
- Quoted shares at fair value through profit & loss		-	397,777
Deposits with financial institutions		5,805	9,820
Due from related parties		-	215,899
Other receivables		9	3,656
Current income tax		20,308	27,494
Cash and bank balances	25	17,449	2,932
Total assets		**2,852,724**	**2,434,731**
Trade and other payables		5,388	3,245
Due to related parties		596,532	140,539
Deferred tax	26	122,683	122,683
Dividends payable		103,610	92,536
Bank overdraft		7	7
Total liabilities		828,220	359,010
Net assets		**2,024,504**	**2,075,721**

The financial statements on pages 20 to 75 were approved by the Board of Directors on 26th March, 2010 and signed on its behalf by:

Nizar N Juma Chairman **Sultan Khimji** Director

The notes on pages 27 to 75 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

Year ended 31st December 2008	Note	Share Capital	Fair Value Reserves	General Reserves	Translation Reserves	Contingency Reserves	Retained Earnings	Proposed Dividends	Total	Non-Controlling Interest
At the start of the year		225,000	751,387	70,000	(70,529)	148,515	2,335,778	146,250	3,606,401	256,371
Profit for the year		-	-	-	-	-	636,241	-	636,241	76,994
Other comprehensive Income										
Change in fair value of financial assets through other comprehensive income	13	-	(1,282,894)	-	-	-	-	-	(1,282,894)	-
Net translation gain		-	-	-	102,725	-	-	-	102,725	-
Transfer to contingency reserves	13	-	-	-	-	37,885	(37,885)	-	-	-
Total comprehensive income for the year		**-**	**(1,282,894)**	**-**	**102,725**	**37,885**	**598,356**	**-**	**(543,928)**	**76,994**
Transactions with owners:										
Dividends: - Final for 2007 paid	32	-	-	-	-	-	-	(146,250)	(146,250)	-
- Interim for 2008 paid	32	-	-	-	-	-	(45,000)	-	(45,000)	-
- Final for 2008 proposed	32	-	-	-	-	-	(146,250)	146,250	-	-
Total transactions with owners:		-	-	-	-	-	(191,250)	-	(191,250)	-
At end of year		**225,000**	**(531,507)**	**70,000**	**32,196**	**186,400**	**2,742,884**	**146,250**	**2,871,222**	**333,365**
Year ended 31st December 2009										
At the start of the year		225,000	(531,507)	70,000	32,196	186,400	2,742,884	146,250	2,871,222	333,365
Profit for the year		-	-	-	-	-	824,980	-	824,980	88,691
Other comprehensive Income										
Change in fair value of financial assets through other comprehensive income	13(a)	-	(106,873)	-	-	-	-	-	(106,873)	(1,958)
Transfer of reserve to retained earnings from fair value reserves on adoption of IFRS 9	13(a)	-	177,212	-	-	-	(177,212)	-	-	-
Net translation loss	13(c)	-	-	-	(9,239)	-	-	-	(9,239)	(14,841)
Transfer to contingency reserves	13	-	-	-	-	45,825	(45,825)	-	-	-
Total comprehensive income for the year		**-**	**70,339**	**-**	**(9,239)**	**45,825**	**601,943**	**-**	**708,868**	**71,892**
Transactions with owners:										
Dividends: - Final for 2008 paid	32	-	-	-	-	-	-	(146,250)	(146,250)	-
- Interim for 2009 paid	32	-	-	-	-	-	(45,000)	-	(45,000)	-
- Final for 2009 proposed	32	-	-	-	-	-	(157,500)	157,500	-	-
Total transactions with owners:		-	-	-	-	-	(202,500)	11,250	(191,250)	-
At end of year		225,000	**(461,168)**	70,000	22,957	232,225	3,142,327	157,500	3,388,841	405,257

Dividends that remain unclaimed for more than six years are written back to retained earnings in accordance with the Company's Articles of Association.
The notes on pages 27 to 75 are an integral part of these consolidated financial statements.

Company statement of changes in equity

Year ended 31st December 2008	Notes	Share Capital	Fair Value Reserves	General Reserves	Retained Earnings	Proposed Dividends	Total
At the start of the year		225,000	522,534	70,000	1,309,695	146,250	2,273,479
Profit for the year		-	-	-	567,201	-	567,201
Other Comprehensive Income							
Change in fair value of financial assets through other comprehensive income		-	(59,341)	-	(35,320)	-	(94,661)
Gain/loss on disposal of financial assets included in the profit and loss account		-	(479,048)	-	-	-	(479,048)
Total Comprehensive income for the year		-	**(538,389)**	-	**531,881**	-	**(6,508)**
Transactions with owners:							
Dividends: - Final for 2007 paid	32	-	-	-	-	(146,250)	(146,250)
- Interim for 2008 paid	32	-	-	-	(45,000)	-	(45,000)
- Final for 2008 proposed	32	-	-	-	(146,250)	146,250	-
Total transactions with owners:		-	-	-	**(191,250)**	-	**(191,250)**
At end of year		**225,000**	**(15,855)**	**70,000**	**1,650,326**	**146,250**	**2,075,721**
Year ended 31st December 2009							
At the start of the year		225,000	(15,855)	70,000	1,650,326	146,250	2,075,721
Profit for the year		-	-	-	122,150	-	122,150
Other Comprehensive Income							
Change in fair value of financial assets through other comprehensive income	19&20	-	17,883	-	-	-	17,883
Total Comprehensive income for the year		-	**17,883**	-	**122,150**	-	**140,033**
Transactions with owners:							
Dividends: - Final for 2008 paid	32	-	-	-	-	(146,250)	(146,250)
- Interim for 2009 paid	32	-	-	-	(45,000)	-	(45,000)
- Final for 2009 proposed	32	-	-	-	(157,500)	157,500	-
Total transactions with owners:		-	-	-	**(202,500)**	**11,250**	**(191,250)**
At end of year		**225,000**	**2,028**	**70,000**	**1,569,976**	**157,500**	**2,024,504**

Dividends that remain unclaimed for more than six years are written back to retained earnings in accordance with the Company's Articles of Association.
The notes on pages 27 to 75 are an integral part of these consolidated financial statements.

Consolidated statement of cashflows

	Notes	2009 Shs'000	2008 Shs'000
Cash flow from operating activities			
Profit before income tax		1,115,776	900,692
Adjustments for:-			
Depreciation	17	20,429	21,486
Fair value impairment on equity investments		-	102,330
Fair value gains on equity investments at fair value through profit and loss		(322,961)	(508,779)
Net inflows from deposit administration contracts	14	1,676,581	1,066,131
Change in insurance contract liabilities and reserves		1,207,610	1,621,003
Investment income		(1,322,389)	(1,739,627)
Share of result of associates after income tax	15(i)	(241,526)	(155,611)
Operating profit before changes to receivables and payables		2,133,520	**1,307,625**
Increase in premium, reinsurance and other receivables		(648,876)	(634,532)
Increase in reinsurance and other payables		62,969	687,407
Cash generated from operations		**1,547,612**	**1,360,500**
Income tax paid		(128,559)	(155,702)
Net cash inflow from operating activities		**1,419,053**	**1,204,798**
Cash flow from investing activities			
Rent, interest and dividend received		1,322,389	1,325,574
Dividends received from associates	15(i)	35,149	-
Proceeds from sale of quoted shares	19	9,019	1,519,067
Proceeds from disposal of property and equipment			968
Purchase of property and equipment	17	(25,569)	(11,652)
Additions of investment properties	18	(102,152)	-
Proceeds from disposal of investment properties		-	116,475
Purchase of quoted shares	19	(122,728)	(3,246,226)
Net purchase of unquoted shares		-	(19,720)
Additional investment in associate	15(i)	(969,938)	(217,847)
Net mortgage loans advanced	21 (i)	(8,835)	41,263
Net loans on life insurance policies advanced	21 (ii)	(5,855)	(7,313)
Net (increase)/decrease of government securities after 91 days of date of acquisition		(1,361,036)	844,375
Net (purchase)/proceeds of commercial bonds		(305,243)	11,607
Net (outflow)/cash inflow from investing activities		**(1,534,800)**	**356,571**
Cash flow from financing activities			
Proceeds from (repayments)/borrowings	33	(36,470)	45,717
Dividends paid	32	(191,250)	(191,250)
Net cash outflow from financing activities		(227,720)	**(145,533)**
Increase in cash and cash equivalents		(343,467)	1,415,837
Cash and cash equivalents at start of year	25	3,773,086	2,254,524
Exchange (loss)/gain on translation of cash and cash equivalents in foreign currencies	13(c)	(9,239)	102,725
Cash and cash equivalents at end of year		3,420,380	**3,773,086**

The notes on pages 27 to 75 are an integral part of these consolidated financial statements

Notes

1 GENERAL INFORMATION

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

The Company through its subsidiaries and associates (together forming the Group) underwrites Life and non-life insurance risks, such as those associated with death, disability, health, property and liability. The Group also issues a diversified portfolio of investment contracts to provide its customers with asset management solutions for their savings and retirement needs. All these products are offered to both domestic and foreign markets. It has operations in Kenya, Uganda, Tanzania and Mauritius and employs over 350 people through its subsidiaries.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (Shs), rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

(a) Standards, amendments and interpretations effective on or after 2009

The following standards, amendments and interpretations became effective in 2009

Standard/ Interpretation	Content	Applicable for financial year beginning on/after
IFRS 2*	Share based payment-vesting conditions and cancellation	1st January 2009
IFRS 7	Improving disclosures about financial instruments	1st January 2009
IFRS 8	Operating segments	1st January 2009
IAS 1	Presentation of financial statements	1st January 2009
IAS 23*	Borrowing costs	1st January 2009
IAS 32 and IAS 1*	Puttable financial instruments and obligations arising on liquidation	1st January 2009
IFRIC 16*	Hedges of a net investment in a foreign operation	1st October 2008
IFRS 9**	Financial instruments part 1: Classification and measurement	1st January 2013

* These standards and interpretations became effective in 2009 but were not relevant to the Group's operations.

** The standard becomes effective on 1st January 2013, the directors have however elected to early adopt the standard as indicated on page 28.

Notes (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
2.1 BASIS OF PREPARATION (Continued)

The following standards became effective and are relevant to the Group;

IFRS 9 Financial Instruments

The Group has adopted IFRS 9 Financial Instruments (IFRS 9) in 2009 in advance of its effective date. The Group has chosen 31st December 2009 as its date of initial application (i.e. the date on which the Group has assessed its existing financial assets) as this is the first reporting period end since the Standard was issued on 12th November 2009. The Standard has been applied prospectively in accordance with the transition rules for entities adopting the Standard before 1st January 2012, comparative financial information has hence not been restated. The key features of the Standard are:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification is based on contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Only financial assets that are classified as measured at amortised cost are tested for impairment. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

The Group has not elected to designate any debt instruments meeting the amortised cost criteria as at FVTPL.

Investments in equity instruments are classified and measured as at FVTPL except if the equity investment is not held for trading and is designated by the Group as at fair value through other comprehensive income (FVTOCI). If the equity investment is designated as at FVTOCI, all gains and losses, except for dividend income recognised in accordance with IAS 18 Revenue, are recognised in other comprehensive income and are not subsequently reclassified to profit or loss.

The directors have reviewed and assessed all of the Group's existing financial assets as at the date of initial application of IFRS 9. As a result:

- The Group's investments in debt instruments meeting the required criteria are measured at amortised cost;
- The Group's quoted equity investments not held for trading have been designated as at FVTOCI;
- The Group's remaining investments in equity investments are measured at FVTPL;

The reclassification of financial assets on initial application of IFRS 9 changed either the measurement basis and/or the policy for the recognition of gains or losses for the financial assets in the short term business of the Group:

- Unquoted equity and some counters of quoted equity instruments that were previously measured at fair value and classified as available-for-sale have been reclassified to FVTPL;
- The remaining investments in equity instruments that were previously measured at fair value and classified as available for- sale have been designated as at FVTOCI;

There was no change in the reclassification or measurement of instruments booked in the Long Term business of the Group.

In 2009 fair value gains of Shs 177 million were reclassified from fair value reserve to retained earnings for unquoted and some quoted equity instruments.

Notes (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

The table below illustrates the classification and measurement of financial assets under IFRS 9 and IAS 39 at the date of initial application, 31st December 2009.

Financial assets/liabilities	Original measurement category IAS 39	New measurement category IFRS 9	Original carrying Shs 000	New carrying Shs 000
Unquoted investments	Available-for-sale instruments	Financial assets at FVTPL	1,051,593	1,051,593
Government securities	Held-to-maturity investments	Financial assets at amortised cost	4,232,441	4,232,441
Quoted shares held FVTOCI	Available-for-sale instruments	Financial assets at amortised cost	844,586	844,586
Quoted shares held FVTPL	Fair value through profit and loss	Financial assets at FVTPL	3,195,710	3,195,710
Mortgage loans	Loans and receivables	Financial assets at amortised cost	51,236	51,236
Loans on life insurance policies	Loans and receivables	Financial assets at amortised cost	196,324	196,324
Receivables/creditors arising out of direct insurance	Loans and receivables	Financial assets at amortised cost	3,405,044	3,405,044
Creditors arising out of reinsurance arrangements	Loans and receivables	Financial assets at amortised cost	1,095,140	1,095,140
Commercial bonds	Loans and receivables	Financial assets at amortised cost	305,243	305,243
Deposits with financial institutions	Loans and receivables	Financial assets at amortised cost	3,247,958	3,247,958
Cash and bank balances	Loans and receivables	Financial assets at amortised cost	236,816	236,816
Other receivables/payables	Loans and receivables	Financial assets at amortised cost	517,485	517,485

IFRS 7 'Financial Instruments – Disclosures' (amendment) – effective 1st January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the measurement basis adopted by the Group.

IFRS 8, 'Operating segments' –effective 1st January 2009. - IFRS 8 replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

IAS 1 (revised). 'Presentation of financial statements' – effective 1st January 2009'; The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

Notes (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

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

The following standards and interpretations have been issued and are mandatory for the Group's accounting periods beginning on or after 1st July 2009 or later period.

Standard/ Interpretation	Content	Applicable for financial year beginning on/after
IFRS 1 and IAS 27	Cost of an investment in a subsidiary, jointly controlled entity or associate	1st July 2009
IFRS 3	Business combinations	1st July 2009
IAS 27	Consolidated and separate financial statements	1st July 2009
IAS 39	Financial instruments: Recognition and measurement – eligible hedged items	1st July 2009
IFRIC 17	Distribution of non-cash assets to owners	1st July 2009
IFRIC 18	Transfers of assets from customers	1st July 2009

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

2.2 CONSOLIDATION

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies (so as to obtain benefits from its activities) generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Investment in Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 CONSOLIDATION (Continued)

(c) Functional currency and translation of foreign currencies

i. Functional and presentation currency

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

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency of the respective entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in the available-for-sale reserve in equity.

iii. Consolidation of group entities

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

a. Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet

b. Income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income expenses are translated at the dates of the transactions); and

c. All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.3 SEGMENT INFORMATION

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

Group costs are allocated to segments on a reasonable and consistent basis. Transactions between segments are generally accounted for in accordance with Group policies as if the segment were a stand alone business with intra segment revenue and cost being eliminated in head office.

The Chief Operating Decision Maker within the Group is the JHL Board of Directors. The group results are analysed across 8 operating segments based on a combination of geographical areas and products and services. There are four geographical segments: Kenya, Uganda, Tanzania and Mauritius within which there are three segments classified according to products and services: General excluding medical, Medical, Ordinary, Group Life & Pensions and Investments. This is consistent with the way the Group manages the business.

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

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

Notes (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
2.3 SEGMENT INFORMATION (Continued)

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

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

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

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

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

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

2.4 INSURANCE CONTRACT

(a) Classification

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

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. See accounting policy for these contracts under 2.3. Insurance contracts and investment contracts are classified into two main categories, depending on the duration of risk and as per the provisions of the Insurance Act.

i. Long-term insurance business

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

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

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

ii. General insurance business

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

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

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

Notes (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 INSURANCE CONTRACT (Continued)

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

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

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

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

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

(b) Recognition and measurement

i. Premium income

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

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

ii. Claims and policy holders benefits payable

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

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

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

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

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

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

Notes (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 INSURANCE CONTRACTS (Continued)

iv. Liability adequacy test

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

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

v. Reinsurance contracts held

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

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

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

vi. Receivables and payables related to insurance contracts and investment contracts

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

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the profit and loss account. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets.

vii. Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Group may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

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

2.5 INVESTMENT CONTRACTS

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

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

Subsequent measurement of investment contracts at amortised cost uses the effective interest method. This method requires the determination of an interest rate (the effective interest rate) that exactly discounts to the net carrying amount of the financial liability, the estimated future cash payments or receipts through the expected life of the

Notes (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 INVESTMENT CONTRACTS (Continued)

financial instrument or, when appropriate, a shorter period if the holder has the option to redeem the instrument earlier than maturity.

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

2.6 REVENUE RECOGNITION

i. Insurance premium revenue

The revenue recognition policy relating to insurance contracts is set out under note 2.4 (b) i).

ii. Non-interest income from financial investments

The revenue recognition policy for non-interest income from financial investments is disclosed in note 2.10 (b).

iii. Interest income and expenses

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

iv. Dividend income

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

v. Rental income from investment properties

Rental income is recognised in the period it is earned.

vi. Commission earned

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

2.7 PROPERTY AND EQUIPMENT

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

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

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

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

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

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

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are included in the profit and loss account.

2.8 INVESTMENT PROPERTY

Buildings, or part of a building, (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation and are not occupied by the Group are classified as investment property. Investment property is carried at fair value, representing open market value determined annually by external valuer's. Changes in fair values are included in investment income in the profit and loss account.

2.9 INTANGIBLE ASSETS

i. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Notes (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 INTANGIBLE ASSETS (Continued)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each country of operation by each reporting segment. There was no goodwill balance at the end of 2009 and 2008.

ii. Computer software

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

2.10 FINANCIAL ASSETS

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

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

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

i. Classification of financial assets

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

ii. Debt instruments at amortised cost and the effective interest method

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

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

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

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

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

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

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

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

Notes (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 FINANCIAL ASSETS (Continued)

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

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

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

iv. Financial assets at FVTPL

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

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

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

v. De-recognition of financial assets

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

vi. Financial liabilities

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

vii. Financial liabilities at FVTPL

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

viii. Other financial liabilities

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

ix. De-recognition

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

Notes (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 FINANCIAL ASSETS (Continued)

x. Impairment financial assets

(a) Financial assets carried at amortised cost

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

i. significant financial difficulty of the issuer or debtor;

ii. a breach of contract, such as a default or delinquency in payments;

iii. it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;

iv. the disappearance of an active market for that financial asset because of financial difficulties; or

v. observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including:

- adverse changes in the payment status of issuers or debtors in the Group; or
- National or local economic conditions that correlate with defaults on the assets in the Group.

The Group assesses whether objective evidence of impairment exists individually for financial assets. If there is objective evidence that an impairment loss has been incurred on investments carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with exception of receivables arising out of reinsurance or direct insurance arrangements, where the carrying amount is reduced through an allowance account. The impairment is recognised directly through profit and loss.

(b) Impairment of financial assets carried at fair value

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

(c) Impairment of other non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

xi. Offsetting financial instruments

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

xii. Renegotiated loans

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

| Notes (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 HEDGE ACCOUNTING

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

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are expected to be and have been highly effective in offsetting changes in fair values or cash flows of hedged items. Movements on the hedging reserve in shareholders' equity are shown in Note 34.

Net investment hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as a net investment hedge is recognised in equity. The gain or loss relating to any ineffective portion is recognised immediately in the profit and loss account within 'net fair value gains on financial assets at fair value through profit or loss. Gains and losses accumulated in equity are included in the income statement on disposal of the foreign operation.

2.12 ACCOUNTING FOR LEASES

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

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

2.13 CASH AND CASH EQUIVALENTS

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

2.14 EMPLOYEE BENEFITS

i. Retirement benefit obligations

The Group operates defined contribution retirement benefit scheme for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The assets of all schemes are held in separate trustee administered funds, which are funded by contributions from both the Group and employees. The Group and all its employees also contribute to the appropriate National Social Security Fund, which are defined contribution schemes. The Group's contributions to the defined contribution schemes are charged to the profit and loss account in the year to which they relate.

ii. Other entitlements

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

2.15 INCOME TAX EXPENSE

Income tax expense is the aggregate of the charge to the profit and loss account in respect of current income tax and deferred income tax.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for. Deferred income tax is

Notes (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 INCOME TAX EXPENSE (Continued)

determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 BORROWINGS

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

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

2.17 DIVIDENDS

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

2.18 SHARE CAPITAL

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

2.19 CONCESSION ARRANGEMENTS

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

- The grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them and at what price; and
- The grantor controls significant residual interest in the infrastructure at the end of the concession arrangement.

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

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

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

(a) Fair value estimation

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

(b) Insurance contracts

The estimation of future benefit payments from long-term insurance contracts is the Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims.

Management applies judgement in the estimation of incurred but not yet reported claims (IBNR) whereby the Group uses historical experience to estimate the ultimate cost of claims and the IBNR provision. This involves the analysis of historical claims development factors and the selection of estimated development factors based on this

Notes (Continued)

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

historical pattern. The selected development factors are then applied to claims data for each accident year that is not fully developed to produce an estimated ultimate claims cost for each accident year. Note 28 contains further details on the estimation of insurance liabilities.

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

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

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

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

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

(c) Income tax

The Group is subject to income taxes in various jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(d) Valuation of investment property

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

(e) Valuation of unquoted shares

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

Notes (Continued)

4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK

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

This section summarises the way the Group manages key risks:

i. Insurance risk

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

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

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

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

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

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

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

Notes (Continued)

4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

GROUP
Year ended 31st December, 2009

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

GROUP
Year ended 31st December, 2008

Class of business		Maximum insured loss: Shs 0 m - Shs 15m Shs'000	Shs 15m - Shs 250m Shs'000	Shs 250m - Shs 1000m Shs'000	Shs 1000m + Shs'000	Total Shs'000
General Insurance business						
Motor	Gross	15,457,386	55,486,277	44,199,920	43,115,173	158,258,756
	Net	11,197,129	21,025,012	2,319,333	732,008	35,273,482
Fire	Gross	7,557,615	33,607,167	34,300,754	55,278,351	130,743,887
	Net	7,213,987	22,329,011	6,829,208	10,595,398	46,967,604
Personal accident	Gross	88,461,115	64,101,841	21,148,292	10,498,567	184,209,815
	Net	49,250,788	39,456,680	485,961	22,519	89,215,948
Other	Gross	15,757,930	26,972,876	69,131,256	29,992,977	141,855,039
	Net	12,403,463	12,759,528	29,429,443	245,835	54,838,269
Life assurance business						
Ordinary life	Gross	9,374,439	270,000	-	-	9,644,439
	Net	7,456,999	-	-	-	7,456,999
Group life	Gross	50,744,217	4,666,905	-	-	55,411,122
	Net	21,836,325	238,557	-	-	22,074,882
Total	**Gross**	**187,352,702**	**185,105,066**	**168,780,222**	**138,885,068**	**680,123,058**
	Net	**109,358,691**	**95,808,788**	**39,063,945**	**11,595,760**	**255,827,184**

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

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

Notes (Continued)

4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

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

ii. Market risk

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Uganda shilling and Tanzania shilling. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

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

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

As at 31st December, 2009:	Kenya US Dollar Shs'000	Uganda Shillings Shs'000	Tanzania Shillings Shs'000	Mauritius Rupees Shs'000	Total Shs'000
Assets					
Receivables arising out of reinsurance arrangements	-	178,774	70,818	-	249,592
Deferred acquisition costs	-	(51,176)	-	-	(51,176)
Deposit with financial institutions	188,364	313,167	391,273	20,873	913,677
Cash and bank balances	-	54,860	78,832	2,749	136,441
Total assets	**188,364**	**495,625**	**540,923**	**23,622**	1,248,534
Liabilities					
Provision for unearned premium	-	502,020	531,840	-	1,033,860
Insurance contract liabilities	-	391,282	670,398	9,156	1,070,836
Creditors arising out of reinsurance arrangements	-	357,166	99,662	-	456,828
Total liabilities	-	**1,250,468**	1,301,900	9,156	2,561,524
Net balance sheet position	188,364	(754,843)	(760,977)	14,466	(1,312,990)
As at 31st December, 2008:					
Total assets	-	428,980	424,252	-	853,232
Total liabilities	-	1,027,611	1,169,952	-	2,197,563
Net balance sheet position	-	(598,631)	(745,700)	-	(1,344,331)

At 31st December, 2009, if the Shilling had weakened/strengthened by 10% against the US dollar with all other variables held constant, the impact on post tax profit for the year would have been negligible (2008: negligible), mainly as a result of US dollar receivables and bank balances.

| Notes (Continued)

4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

(b) Price risk

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

Group

At 31st December, 2009, if the NSE and USE indices had increased/decreased by 20% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation to the index, and equity would have been Shs 808 million higher/lower.

Company

At 31st December, 2009, if the NSE Index had increased/ decreased by 20% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation to the index, and equity would have been Shs 81 million higher/lower.

iii. Cash flow and fair value interest rate risk

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

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

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

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

For liabilities under long-term insurance contracts with fixed and guaranteed terms, changes in interest rate will not cause a change to the amount of the liability, unless the change is severe enough to trigger a liability adequacy test adjustment. The level of the reduction of the level of interest rate that will trigger an adjustment is an interest rate of 1%. An additional liability of Shs 63 million (2008 Shs 50 million) would be required as a result of a further worsening of 20% in mortality.

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

(a) Credit risk

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

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

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

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

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

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

The amount that best represents the Group's and Company's maximum exposure to credit risk at 31st December, 2009 is made up as follows:

Notes (Continued)

4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

Maximum exposure to credit risk before collateral held

	GROUP		COMPANY	
	2009 Shs '000	2008 Shs '000	2009 Shs '000	2008 Shs '000
Receivables arising out of reinsurance arrangements	683,526	640,796	-	-
Receivables arising out of direct insurance arrangements	1,033,698	913,739	-	-
Reinsurers' share of insurance liabilities	1,687,819	1,417,278	-	-
Government securities at amortised cost	4,232,441	3,038,667	-	-
Commercial bond	305,243	10,110	-	-
Cash and bank balances	236,816	778,368	17,449	2,932
Loans on life insurance policies	196,324	189,895	-	-
Mortgage loans	51,236	41,345	-	-
Deposits with financial institutions	3,247,958	2,818,292	5,804	9,820
Other receivables	452,016	309,322	9	3,656
Totals	**12,127,077**	**10,157,812**	**23,262**	**16,408**

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

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

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

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

	DIRECT INSURANCE		REINSURANCE	
	2009 Shs '000	2008 Shs'000	2009 Shs '000	2008 Shs'000
Neither past due nor impaired	454,738	543,168	70,817	520,197
Past due but not impaired	549,424	429,742	317,700	10,153
Impaired	222,929	100,080	303,012	137,573
Gross	**1,227,090**	**1,072,990**	**691,529**	**667,923**
Less: allowance for impairment	(193,392)	(159,251)	(8,003)	(27,127)
Net	**1,033,698**	**913,739**	**683,526**	**640,796**

Notes (Continued)

4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

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

GROUP	2009 Shs'000	2008 Shs'000
Past due but not impaired:		
- by up to 30 days	148,924	158,941
- by 31 to 60 days	101,710	61,786
- by 61 to 150 days	139,276	100,686
- by 151 to 360 days	159,514	108,329
Total past due but not impaired	**549,424**	**429,742**

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

Receivables arising out of direct insurance arrangements individually impaired
Of the total gross amount of impaired receivables, the following amounts have been individually assessed:

Direct insurance arrangements

GROUP	2009 Shs'000	2008 Shs'000
Individually assessed impaired receivables		
- brokers	118,274	49,023
- agents	52,686	17,934
- insurance companies	39,918	6,562
- direct clients	12,051	26,561
Total	222,929	**100,080**

(c) Liquidity risk

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

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

(d) Fair values estimation

Effective 1st January 2009, the company adopted the amendment to IFRS 9 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the group's assets and liabilities that are measured at fair value at 31st December 2009.

	Level 1 balance Shs'000	Level 2 balance Shs'000	Level 3 balance Shs'000
Financial assets:			
at fair value through OCI - quoted shares	844,586		-
at fair value through profit or loss - unquoted shares	-	-	1,051,593
at fair value through profit or loss - quoted shares	3,195,710		-
Total assets	**4,040,296**	-	**1,051,593**

Notes (Continued)

4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

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

Specific valuation techniques used to value financial instruments include:

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

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

The following table presents the changes in level 3 instruments for the year ended 31st December 2009. Trading at fair value through profit or loss.

	Unquoted shares at fair value through profit or loss Shs' 000
Opening balance	1,192,045
Transfers out of level 3	(353,282)
Gains and losses recognised in other comprehensive income	22,207
Gains and losses recognised in profit or loss	190,623
Closing balance (Note 20)	1,051,593

(e) Capital risk management

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

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

Notes (Continued)

4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

The table below summarises the minimum required capital across the Group and the regulatory capital held against each of them. These figures are an aggregate number, being the sum of the statutory capital and surplus for each insurance company in each country subject to local regulatory requirements, which may differ from jurisdiction to jurisdiction. The current year is, in general, an estimate that is updated once calculations prepared for the regulators are final.

	2009				2008			
	Kenya Shs '000	Uganda Shs '000	Tanzania Shs '000	Total Shs '000	**Kenya Shs '000**	**Uganda Shs '000**	**Tanzania Shs '000**	**Total Shs '000**
Regulatory capital held	700,000	92,132	127,690	919,822	450,000	86,821	123,843	660,664
Minimum regulatory capital	450,000	75,169	55,042	580,211	**150,000**	**75,169**	**55,042**	**280,211**

The Group has different requirements depending on the country in which it operates. The three main countries are Kenya, Uganda and Tanzania

In Kenya the solvency and capital adequacy margins are calculated based on Kenyan Solvency Law, which requires the application of a formula that contains variables for expenses and admitted assets, as contained in section 41-1 of the Insurance Act.

General insurance businesses are required to keep a solvency margin, i.e. admitted assets less admitted liabilities, equivalent to the higher of Shs 10 million or 15% of the net premium income during the preceding financial year.

Long term insurance businesses are required to keep a solvency margin i.e. admitted assets less admitted liabilities, equivalent to the higher of Shs 10 million or 5% of total admitted liabilities.

In Uganda, required capital is determined to be the 'company action level risk based capital', based on Section 6 of the Insurance statute 1996.

In Tanzania, the Group is required to hold regulatory capital for its general insurance business in compliance with the rules issued by the Insurance regulator as per Government notice published on 25th March, 2003 and Government notice 189 published on 9th July, 2003.

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

Notes (Continued)

5 SEGMENT INFORMATION

Operating Segments

(a) Operating Segment results

for the year ended 31st December 2009	General	Ordinary, Group Life & Pensions	Investments	Total Shs '000
Gross earned premium revenue	5,913,980	1,155,059	-	7,069,039
Less: outward reinsurance	(1,931,835)	(187,070)	-	(2,118,905)
Net insurance premium revenue	**3,982,145**	**967,989**	-	**4,950,134**
Investment and other income	379,262	795,572	147,555	1,322,389
Commission earned	452,806	1,522	-	454,328
Net fair value gains on financial assets at fair-value-through profit & loss	212,560	110,401	-	322,961
Total income	**5,026,773**	**1,875,484**	**147,555**	**7,049,812**
Insurance benefits				
Claims and policy holders benefits payable	3,257,604	1,581,370		4,838,974
Claims recoverable from re-insurers	(714,527)	(134,279)		(848,806)
Net insurance benefits and claims	**2,543,077**	**1,447,091**	-	**3,990,168**
Operating and other expenses	760,805	312,968	121,732	1,195,505
Finance costs	-	-	46,372	46,372
Commission payable	773,703	169,814	-	943,517
Total expenses and commissions	**1,534,508**	**482,782**	**168,104**	**2,185,394**
Result of operating activities	949,188	(54,389)	(20,549)	874,250
Share of result of associates	61,826	61,899	117,801	241,526
Group profit before income tax	1,011,014	7,510	97,252	1,115,776
Income tax expense	(189,169)	(7,508)	(5,426)	(202,103)
Profit for the year	**821,845**	**2**	**91,826**	**913,673**
for the year ended 31st December 2008				
Gross earned premium revenue	4,844,951	1,009,687	-	5,854,638
Less: outward reinsurance	(1,605,465)	(125,887)	-	(1,731,352)
Net insurance premium revenue	**3,239,486**	**883,800**	-	**4,123,286**
Investment and other income	431,902	1,098,272	252,916	1,783,090
Commission earned	356,775	17,164	12,970	386,909
Net fair value losses on financial assets at fair-value-through profit & loss	-	(508,779)	-	(508,779)
Total income	**4,028,163**	**1,490,457**	**265,886**	**5,784,506**
Insurance benefits				
Claims and policy holders benefits payable	2,667,393	1,231,199	-	3,898,592
Claims recoverable from re-insurers	(600,941)	(113,964)	-	(714,905)
Net insurance benefits and claims	**2,066,452**	**1,117,235**	-	**3,183,687**
Operating and other expenses	732,826	231,338	120,486	1,084,650
Finance costs	-	-	51,785	51,785
Commission payable	614,762	104,541	-	719,303
Total expenses and commissions	**1,347,588**	**335,879**	**172,271**	**1,855,738**
Result of operating activities	614,123	37,343	93,615	745,081
Share of result of associates	-	-	155,611	155,611
Group profit before income tax	614,123	37,343	249,226	900,692
Income tax expense	(151,901)	(8,697)	(26,859)	(187,457)
Profit for the year	**462,222**	**28,646**	**222,367**	**713,235**

Notes (Continued)

5 SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities

for the year ended 31st December 2009	General	Ordinary, Group Life & Pensions	Investments	Total Shs '000
Property and equipment	28,168	13,911	8,198	50,277
Investment properties	382,544	1,425,000	766,389	2,573,933
Investment in associates	777,849	595,267	2,337,204	3,710,320
Investment in shares	1,106,879	3,497,621	487,388	5,091,888
Mortgage loans	-	51,236	-	51,236
Loans on life insurance policies	-	196,324	-	196,324
Government securities at amortised cost	1,079,112	3,153,329	-	4,232,441
Deposits with financial institutions	764,496	2,463,307	20,155	3,247,958
Commercial bonds	-	305,243	-	305,243
Premium receivables	1,553,377	287,372	-	1,840,749
Reinsurers' share of insurance contract liabilities	1,629,939	57,880	-	1,687,819
Other receivables	387,615	53,131	11,263	452,009
Current income tax	-	-	56,558	56,558
Deferred income tax	2,801	-	-	2,801
Cash and bank balances	107,022	90,247	39,547	236,816
Total assets	**7,819,802**	**12,189,868**	**3,726,702**	**23,736,372**
Insurance contract liabilities	5,065,726	4,036,565	-	9,102,291
Payable under deposit administration contracts	-	7,644,098	-	7,644,098
Creditors arising out of direct insurance arrangements	204,924	-		204,924
Creditors arising out of reinsurance arrangements	667,383	222,833	-	890,216
Trade and other payables	199,111	37,875	509,123	746,109
Deferred income tax	62,860	-	124,696	187,556
Current income tax payable	62,420	-	55,131	117,551
Borrowings	-	-	985,135	985,135
Bank over draft	50,575	13,812	7	64,394
Total liabilities	**6,312,999**	**11,955,183**	**1,674,092**	**19,942,274**
Net assets	**1,506,803**	**234,685**	**2,052,610**	**3,794,098**

Notes (Continued)

5 SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities (Continued)

for the year ended 31st December 2008

	General	Ordinary, Group Life & Pensions	Investments	Total Shs '000
Property and equipment	24,143	12,387	8,207	44,737
Investment properties	280,000	1,425,000	766,390	2,471,390
Investment in associates	336,896	447,814	1,438,893	2,223,603
Investment in shares	1,186,550	3,406,882	523,900	5,117,332
Mortgage loans	-	41,345	-	41,345
Loans on life insurance policies	-	189,895	-	189,895
Government securities at amortised cost	1,019,800	2,018,867	-	3,038,667
Deposits with financial institutions	722,457	2,071,663	24,172	2,818,292
Commercial bonds	-	10,110	-	10,110
Premium receivables	1,427,701	239,275	-	1,666,976
Reinsurers' share of insurance contract liabilities	1,359,403	57,875		1,417,278
Other receivables	112,732	180,175	16,415	309,322
Deferred income tax	2,801	-	-	2,801
Current income tax	69,709	-	3,000	72,709
Cash and bank balances	472,386	279,469	26,513	778,368
Total assets	**7,014,578**	**10,380,756**	**2,807,490**	**20,202,824**
Insurance contract liabilities	4,064,153	3,830,528		7,894,681
Payable under deposit administration contracts	-	5,967,517	-	5,967,517
Creditors arising out of direct insurance arrangements	186,961	-	-	186,961
Creditors arising out of reinsurance arrangements	579,442	185,629	-	765,071
Trade and other payables	477,085	212,995	223,662	913,742
Deferred income tax	21,595	-	168,664	190,259
Current income tax payable	38,943	-	18,512	57,455
Borrowings	-	-	1,021,605	1,021,605
Bank over draft	132	806	7	945
Total liabilities	**5,368,311**	**10,197,475**	**1,432,450**	**16,998,236**
Net assets	**1,646,267**	**183,281**	**1,375,040**	**3,204,588**

| Notes (Continued)

5 SEGMENT INFORMATION (Continued)

Geographical segments

(a) Geographical segment results

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

The following is the geographical segment information:

for the year ended 31st December 2009

	Kenya	Uganda	Tanzania	Mauritius	Group
Gross earned premium revenue	4,490,680	1,422,162	1,156,197	-	7,069,039
Less: outward reinsurance	(457,935)	(1,014,813)	(646,157)	-	(2,118,905)
Net insurance premium revenue	**4,032,745**	**407,349**	**510,040**	-	**4,950,134**
Investment and other income	1,074,966	195,518	52,618	(713)	1,322,389
Commission earned	96,587	208,358	149,383	-	454,328
Net fair value gains on financial assets at fair-value through profit & loss	322,961	-	-	-	322,961
Total income	**5,527,259**	**811,225**	712,041	**(713)**	7,049,812
Insurance benefits					
Claims and policy holders benefits payable	3,807,174	418,375	602,470	10,954	4,838,973
Claims recoverable from re-insurers	(315,758)	(208,859)	(311,996)	(12,192)	(848,805)
Net insurance benefits and claims	3,491,416	**209,516**	**290,474**	**(1,238)**	3,990,168
Operating and other expenses	818,434	226,518	145,783	4,770	1,195,505
Finance costs	-	46,372	-	-	46,372
Commission payable	638,290	136,550	168,677	-	943,517
Total expenses and commissions	**1,456,724**	**409,440**	**314,460**	**4,770**	**2,185,394**
Result of operating activities	579,119	192,269	107,107	(4,245)	874,250
Share of result of associates	241,526	-	-	-	241,526
Group profit before income tax	820,645	192,269	107,107	(4,245)	1,115,776
Income tax expense	(108,578)	(62,244)	(31,281)		(202,103)
Profit for the year	**712,067**	130,025	75,826	**(4,245)**	913,673

Notes (Continued)

5 SEGMENT INFORMATION (Continued)

(a) Geographical segment results (Continued)

for the year ended 31st December 2008

	Kenya	Uganda	Tanzania	Mauritius	Group
Gross earned premium revenue	3,867,096	1,080,012	907,530	-	5,854,638
Less: outward reinsurance	(461,337)	(801,755)	(468,260)	-	(1,731,352)
Net insurance premium revenue	**3,405,759**	**278,257**	**439,270**	**-**	**4,123,286**
Investment and other income	1,529,441	172,847	76,006	4,796	1,783,090
Commission earned	94,682	161,479	130,748	-	386,909
Net fair value losses on financial assets at fair-value through profit & loss	(508,779)	-	-	-	(508,779)
Total income	**4,521,103**	**612,583**	**646,024**	**4,796**	**5,784,506**
Insurance benefits					
Claims and policy holders benefits payable	2,943,746	328,827	507,623	118,396	3,898,592
Claims recoverable from re-insurers	(161,133)	(176,852)	(259,216)	(117,704)	(714,905)
Net insurance benefits and claims	**2,782,613**	**151,975**	**248,407**	**692**	**3,183,687**
Operating and other expenses	752,062	181,043	135,547	15,998	1,084,650
Finance costs	-	51,785	-	-	51,785
Commission payable	459,064	112,302	147,937	-	719,303
Total expenses and commissions	**1,211,126**	**345,130**	**283,484**	**15,998**	**1,855,738**
Result of operating activities	527,364	115,478	114,133	(11,894)	745,081
Share of result of associates	155,611	-	-	-	155,611
Group profit before income tax	682,975	115,478	114,133	(11,894)	900,692
Income tax expense	(112,037)	(43,190)	(32,230)	-	(187,457)
Profit for the year	**570,938**	**72,288**	**81,903**	**(11,894)**	**713,235**

| Notes (Continued)

5 SEGMENT INFORMATION (Continued)

(b) Geographical segment assets and liabilities

for the year ended 31st December 2009

	Kenya	Uganda	Tanzania	Mauritius	Group
Property and equipment	26,095	18,937	5,194	51	50,277
Investment properties	2,465,000	6,781	102,152	-	2,573,933
Investment in associates	2,497,002	1,213,318	-	-	3,710,320
Investment in shares	4,926,043	84,341	81,504	-	5,091,888
Mortgage loans	37,533	13,703	-	-	51,236
Loans on life insurance policies	196,324	-	-	-	196,324
Government securities at amortised cost	3,570,100	508,016	154,325	-	4,232,441
Deposits with financial institutions	2,522,645	313,167	391,273	20,873	3,247,958
Commercial bonds	265,359	39,884	-	-	305,243
Premium receivables	1,092,753	434,595	313,401	-	1,840,749
Reinsurers' share of insurance contract liabilities	495,168	493,997	698,654	-	1,687,819
Other receivables	313,781	34,106	103,813	309	452,009
Current income tax	26,926	29,632	-	-	56,558
Deferred income tax	-	2,801	-	-	2,801
Cash and bank balances	100,375	54,860	78,832	2,749	236,816
Total assets	**18,535,104**	**3,248,138**	**1,929,148**	**23,982**	**23,736,371**
Insurance contract liabilities	6,997,595	1,202,238	893,302	9,156	9,102,291
Payable under deposit administration contracts	7,524,086	84,962	35,050	-	7,644,098
Creditors arising out of direct insurance arrangements	204,924	-	-	-	204,924
Creditors arising out of reinsurance arrangements	433,388	357,166	99,662	-	890,216
Trade and other payables	610,081	83,492	51,720	815	746,108
Deferred income tax	210,564	(1,491)	(21,517)	-	187,556
Current income tax payable	43,339	10,239	63,973	-	117,551
Borrowings	-	985,135	-	-	985,135
Bank over draft	64,394	-	-	-	64,394
Total liabilities	16,088,371	**2,721,741**	1,122,190	**9,971**	19,942,273
Net assets	**2,446,733**	**526,397**	**806,958**	**14,011**	**3,794,098**

Notes (Continued)

5 SEGMENT INFORMATION (Continued)

(b) Geographical segment assets and liabilities (Continued)

for the year ended 31st December 2008

	Kenya	Uganda	Tanzania	Mauritius	Group
Property and equipment	22,759	16,892	5,002	84	44,737
Investment properties	2,465,000	6,390	-	-	2,471,390
Investment in associates	967,405	1,256,198	-	-	2,223,603
Investment in shares	4,939,157	99,965	78,210	-	5,117,332
Mortgage loans	28,528	12,817	-	-	41,345
Loans on life insurance policies	189,895	-	-	-	189,895
Government securities at amortised cost	2,407,830	360,053	270,784	-	3,038,667
Deposits with financial institutions	2,211,419	302,910	280,505	23,458	2,818,292
Commercial bonds	10,110	-	-	-	10,110
Premium receivables	1,038,008	340,503	285,975	2,490	1,666,976
Reinsurers' share of insurance contract liabilities	430,617	419,204	567,457	-	1,417,278
Other receivables	123,155	21,776	164,150	241	309,322
Deferred income tax	-	2,801	-	-	2,801
Current income tax	39,137	33,572	-	-	72,709
Cash and bank balances	662,553	32,890	79,834	3,091	778,368
Total assets	**15,535,573**	**2,905,971**	**1,731,917**	**29,364**	**20,202,824**
Insurance contract liabilities	6,139,067	698,911	1,043,831	12,872	7,894,681
Payable under deposit administration contracts	5,880,699	26,819	59,999		5,967,517
Creditors arising out of direct insurance arrangements	186,961	-	-	-	186,961
Creditors arising out of reinsurance arrangements	310,250	328,700	126,121	-	765,071
Trade and other payables	433,241	386,275	93,587	640	913,743
Deferred income tax	161,593	6,260	22,406	-	190,259
Current income tax payable	42,167	2,217	13,071	-	57,455
Borrowings	-	1,021,605	-	-	1,021,605
Bank over draft	945	-	-	-	945
Total liabilities	**13,154,923**	**2,470,787**	**1,359,015**	**13,512**	**16,998,237**
Net assets	**2,380,650**	**435,184**	**372,902**	**15,852**	**3,204,588**

Notes (Continued)

6 GROSS EARNED PREMIUM

(i) Short Term Business

Premium earned by principal class of business:

	2009 Gross Shs'000	2009 Reinsurance Shs'000	2009 Net Shs'000	2008 Gross Shs'000	2008 Reinsurance Shs'000	2008 Net Shs'000
Motor	1,379,128	158,584	1,220,544	1,168,322	535,044	633,278
Fire	758,515	570,230	188,285	614,843	321,031	293,812
Accident & Medical	3,359,272	909,161	2,450,111	1,809,348	28,286	1,781,062
Other	417,066	293,859	123,207	1,252,439	721,104	531,335
Total Short-Term	**5,913,981**	**1,931,834**	3,982,147	**4,844,952**	**1,605,465**	**3,239,487**

(ii) Long Term Business

Premium earned by principal class of business:

	2009 Gross Shs'000	2009 Reinsurance Shs'000	2009 Net Shs'000	2008 Gross Shs'000	2008 Reinsurance Shs'000	2008 Net Shs'000
Ordinary life	491,381	8,774	482,607	398,744	11,965	386,779
Group life	663,677	178,297	485,380	610,942	113,922	497,020
Total Long-Term	**1,155,058**	**187,071**	967,987	**1,009,686**	**125,887**	**883,799**
Total Short-Term and Long-Term	7,069,039	2,118,905	4,950,134	5,854,638	1,731,352	4,123,286

7 INVESTMENT INCOME

	2009 Shs'000	2008 Shs'000
Mortgage loan interest	5,420	12,146
Bank deposit interest	346,155	220,839
Government securities interest	442,379	410,074
Interest on policy loans	25,659	24,805
Dividends receivable from equity investments	234,464	202,829
Rental income from investment properties (net of expenses)	251,381	197,014
Gain on sale of investments	389	119,758
Fair value gain on investment properties (note 18(a))	-	553,000
Exchange loss	(7,088)	(13,832)
Other income	23,630	56,457
Total	1,322,389	1,783,090

Notes (Continued)

8 CLAIMS AND POLICYHOLDER BENEFITS PAYABLE

i. Short Term Business

Claims payable by principal class of business:

	2009 Gross Shs'000	2009 Reinsurance Shs'000	2009 Net Shs'000	2008 Gross Shs'000	2008 Reinsurance Shs'000	2008 Net Shs'000
Motor	487,922	(15,861)	503,783	937,452	309,496	627,956
Fire	1,129,884	188,653	941,231	192,385	140,665	51,720
Accident & medical	1,883,229	157,469	1,725,760	1,150,286	3,207	1,147,079
Other	721,487	381,175	340,312	387,270	147,573	239,697
Total Short-Term	**4,222,522**	**711,436**	**3,511,086**	**2,667,393**	**600,941**	**2,066,452**

ii. Long-Term business

Claims payable by principal class of business:

	2009 Gross Shs'000	2009 Reinsurance Shs'000	2009 Net Shs'000	2008 Gross Shs'000	2008 Reinsurance Shs'000	2008 Net Shs'000
Ordinary life	207,799	3,690	204,109	292,218	(1,609)	293,827
Group life	408,653	133,680	274,973	938,981	115,573	823,408
Total Long-Term	**616,452**	**137,370**	**479,082**	**1,231,199**	**113,964**	**1,117,235**
Total Short-Term and Long-Term	**4,838,974**	**848,806**	**3,990,168**	**3,898,592**	**714,905**	**3,183,687**

9 OPERATING EXPENSES

The following items have included in operating expenses:

GROUP

	2009 Shs'000	2008 Shs'000
Employee benefits expense (note 10)	599,979	531,881
Auditors' remuneration	11,073	12,405
Depreciation (Note 17)	20,429	21,486
Impairment charge for doubtful premium receivables	51,019	32,666
Operating lease rentals - land and buildings	51,864	37,534
Repairs and maintenance expenditure	4,712	12,340

Notes (Continued)

10 EMPLOYEE BENEFITS EXPENSE

GROUP	2009 Shs'000	2008 Shs'000
Wages and salaries	512,864	466,618
National Social Security Fund	7,461	12,495
Retirement benefit costs – defined contribution plan	20,772	1,607
Other benefits	58,882	51,161
Total	**599,979**	**531,881**

The number of persons employed by the Group at year-end was 383 (2008: 348).

11 INCOME TAX EXPENSE

GROUP	2009 Shs'000	2008 Shs'000
Current income tax	204,806	158,298
Deferred income tax (Note 26(a))	(2,703)	29,159
Total	202,103	187,457

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:

GROUP	2009 Shs'000	2008 Shs'000
Profit before income tax	1,115,776	900,692
Tax calculated at 30% (2008: 30%)	334,733	270,207
Effect of:		
Income not subject to income tax	(197,417)	(97,806)
Expenses not deductible for tax purposes	61,823	18,177
Others	2,964	(3,121)
Income tax charge	202,103	187,457

Notes (Continued)

12 SHARE CAPITAL

The total authorised number of ordinary shares is 45,000,000 (2008: 45,000,000) with a par value of Shs 5 per share. At 31 December 2009 45,000,000 ordinary shares were in issue (2008: 45,000,000 ordinary shares). All issued shares are fully paid.

	Number of shares		Share capital	
Ordinary shares of Shs 5 each	**2009 Shs'000**	**2008 Shs'000**	**2009 Shs'000**	**2008 Shs'000**
Authorised	45,000	45,000	225,000	225,000
Issued and fully paid				
At start of year	45,000	45,000	225,000	225,000
At end of year	**45,000**	**45,000**	**225,000**	**225,000**

13 RESERVES

a) Fair value reserves

	GROUP		COMPANY	
	2009 Shs'000	**2008 Shs'000**	**2009 Shs'000**	**2008 Shs'000**
At start of year	(531,507)	751,387	(15,855)	522,534
Transfer of reserves on adoption of IFRS 9	177,212	(967,246)	4,791	(165,341)
Impairment of equity investments	-	(102,330)	-	35,320
Fair value loss from others	-	(214,618)	-	(479,048)
Fair value (loss)/gains through other comprehensive income	(106,873)	1,300	13,092	70,680
At end of year	**(461,168)**	**(531,507)**	**2,028**	**(15,855)**

The fair value reserve is non-distributable.
Shs 177 million was transferred to retained earnings on adoption of IFRS 9 in accordance with transition rules on reclassification of financial instruments. The amount relates to accumulated fair value reserves on unquoted and quoted equity instruments reclassified to fair value through profit and loss.

b) General reserves

GROUP AND COMPANY	2009 Shs'000	2008 Shs'000
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.

Notes (Continued)

13 RESERVES (Continued)

c) Translation reserve (Group)

Translation reserves

GROUP	2009 Shs'000	2008 Shs'000
At start of year	32,196	(70,529)
Net translation gain/(loss)	(9,239)	102,725
At end of year	22,957	**32,196**

d) Contingency reserve (Group)

Contingency / Statutory reserves

GROUP	2009 Shs'000	2008 Shs'000
At start of year	186,400	148,515
Net movement within the year	45,825	37,885
At end of year	**232,225**	**186,400**

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

14 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 2009.

GROUP	2009 Shs'000	2008 Shs'000
At start of year	5,967,517	4,901,386
Pension fund deposits received	1,684,281	1,312,065
Surrenders and annuities paid	(557,855)	(873,981)
Interest credited to deposit administration policyholders	551,737	628,693
Translation loss	(1,582)	(646)
At end of year	7,644,098	**5,967,517**

Notes (Continued)

15 INVESTMENT IN ASSOCIATED COMPANIES AND SUBSIDIARIES

i. Investment in associated companies

Movement in Net Assets

GROUP Year 2009	Opening Balance Shs '000	Additions/ Transfers Shs '000	Dividends received Shs '000	Share of result of associate Shs '000	Translation gain/loss Shs '000	Closing Balance Shs '000
IPS Power Investments Ltd	169,268	-	-	-	-	169,268
Property Development and Management Ltd	875,560	-	(9,765)	96,212	-	962,007
Bujagali Holding Power Company Ltd	1,178,775	-	-	-	(42,880)	1,135,895
FCL Holding Ltd	-	969,938	(25,384)	103,500	-	1,048,054
IPS Cable Systems Ltd (Note 20)	-	353,282	-	41,814	-	395,096
Total	**2,223,603**	**1,323,220**	**(35,149)**	**241,526**	**(42,880)**	**3,710,320**

GROUP Year 2008	Opening Balance Shs '000	Additions/ Transfers Shs '000	Share of result of associate Shs '000	Translation gain/loss Shs '000	Closing Balance Shs '000
IPS Power Investments Ltd	148,899	-	20,369	-	169,268
Property Development and Management Ltd	740,318	-	135,242	-	875,560
Bujagali Holding Power Company Ltd	960,928	217,847	-	-	1,178,775
Total	**1,850,145**	**217,847**	155,611	-	**2,223,603**

IPS Power Investment Limited is an investment vehicle company, which through its subsidiary has invested in the equity of Tsavo Power Company Limited that generates electricity for sale. Bujagali Holding Power Company Limited is also an investment vehicle company which through its subsidiary has invested in the equity of Bujagali Energy Limited an electricity generating company in Uganda. Property Development and Management Limited conducts property investment, development and management. FCL Holdings Limited is an investment vehicle company which has invested in the equity of Farmers Choice Limited with it's main objective being sale of fresh and processed meat products.

COMPANY Year 2009	Opening Balance Shs '000	Additions/ Transfers Shs '000	Dividends received Shs '000	Share of result of associate Shs '000	Closing Balance Shs '000
FCL Holding Ltd	-	484,969	(12,692)	51,751	524,028
IPS Cable Systems Ltd	-	353,282	-	41,814	395,096
Total	-	838,251	**(12,692)**	**93,565**	919,124

Notes (Continued)

15 INVESTMENT IN ASSOCIATED COMPANIES AND SUBSIDIARIES (Continued)

Group's interest in principal associates

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

Investment in associated companies

Year 2008	Country of Incorporation	Assets Shs '000	Liabilities Shs '000	Revenues Shs '000	Profit/(loss) Shs '000	Interest Held
IPS Power Investments Ltd	Kenya	5,482,133	3,056,838	7,859,413	411,801	27%
Property Development Management Limited	Kenya	2,745,577	330,314	194,881	498,598	37%
Bujagali Holding Power Company Limited	Uganda	4,690,826	430	(914)	(1,071)	25%
Total		**12,918,536**	**3,387,582**	**8,053,380**	**909,328**	

ii. Investment in subsidiaries

COMPANY	Share Capital 2009 Shs '000	Share Capital 2008 Shs '000	% Equity Held 2009	% Equity Held 2008
The Jubilee Insurance Company of Kenya	450,000	450,000	100%	100%
Jubilee Financial Services Limited	50,498	-	100%	0%
The Jubilee Insurance Company of Tanzania	72,911	72,911	51%	51%
The Jubilee Insurance Company of Uganda	25,195	25,195	65%	65%
The Jubilee Investment Company of Tanzania	298	298	100%	100%
The Jubilee Investment Company of Uganda	62,987	62,987	100%	100%
Jubilee Insurance (Mauritius) Ltd	59,491	59,491	80%	80%
Total	**721,380**	**670,882**		

The Jubilee Investments Company Limited owns 35% equity of The Jubilee Insurance Company of Uganda Limited and 10% equity of Jubilee Insurance (Mauritius) Ltd.

Notes (Continued)

16 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

	2009 Shs'000	2008 Shs'000
Gross premium:		
Diamond Trust Bank Limited	19,089	16,209
Industrial Promotion Services (Kenya) Limited	138,375	144,026
TPS Eastern Africa Limited	31,642	6,900
Property Development and Management Limited	7,678	823
Nation Media Group	65,373	61,505
Total	262,157	232,004
Net claims incurred:		
Diamond Trust Bank Limited	13,550	10,801
Industrial Promotion Services (Kenya) Limited	14,873	20,940
TPS Eastern Africa Limited	14,213	4,941
Property Development and Management Limited	3,656	1,407
Nation Media Group	49,939	39,380
Total	**96,231**	**77,469**
Services received from:		
Industrial Promotion Services (Kenya) Limited	1,983	2,632
TPS Eastern Africa Limited	6,253	3,440
Property Development and Management Limited	8,506	8,576
Nation Media Group	2,073	1,542
Total	**18,814**	**14,648**
Balances with related parties		
Outstanding premium:		
Diamond Trust Bank Limited	664	13
Industrial Promotion Services (Kenya) Limited	4,427	19,146
TPS Eastern Africa Limited	(6)	131
Property Development and Management Limited	68	29
Nation Media Group	12,201	15,870
Total	17,354	35,189
Outstanding claims:		
Diamond Trust Bank Limited	10,192	4,809
Industrial Promotion Services (Kenya) Limited	22,437	34,295
TPS Eastern Africa Limited	3,948	2,808
Property Development and Management Limited	758	513
Nation Media Group	30,215	13,183
Total	67,550	55,608

Notes (Continued)

16 RELATED PARTY TRANSACTIONS (Continued)

	2009 Shs'000	2008 Shs'000
Deposits with financial institutions		
Diamond Trust Bank Limited	1,260,063	808,255
Total	**1,260,063**	**808,255**
Interest received from financial institutions		
Diamond Trust Bank Limited	316,611	149,162
Total	**316,611**	**149,162**
Due from related parties:		
Jubilee Insurance Company of Kenya Limited	32,738	128,886
Jubilee Insurance Company of Tanzania Limited	6,291	1,480
Jubilee Insurance Company of Uganda Limited	10,284	9,876
Jubilee Insurance (Mauritius) Limited	37,018	-
Jubilee Investment Company Limited (Uganda)	15,771	-
Jubilee Financial Services Limited (Kenya)	21,456	-
Jubilee Investment Company Limited (Tanzania)	230,852	298
Total	**354,410**	**140,539**
Due to related parties		
Jubilee Insurance Company of Kenya Limited	889,134	-
Jubilee Insurance Company of Tanzania Limited	2,214	-
Jubilee Insurance Company of Uganda Limited	26,558	-
Jubilee Insurance (Mauritius) Limited	32,738	36,445
Jubilee Investment Company Limited (Uganda)	-	179,454
Jubilee Financial Services Limited (Kenya)	-	-
Jubilee Investment Company Limited (Tanzania)	-	-
Total	**950,644**	**215,899**

ii. Key management compensation & directors fees

	GROUP		COMPANY	
	2009 Shs'000	2008 Shs'000	2009 Shs'000	2008 Shs'000
Salaries and other employment benefits	91,793	78,805	-	-
Fees for services as directors	1,276	1,137	780	820
Total	**1,276**	**1,137**	**780**	**820**

Notes (Continued)

17 PROPERTY AND EQUIPMENT

GROUP Year ended 31st December 2009	Computer equipment Shs'000	Motor vehicles Shs'000	Furniture, fixtures, fittings & office equipment Shs'000	Total Shs'000
Cost				
At start of year	151,488	30,802	139,448	321,738
Additions	17,476	3,143	4,950	25,569
Disposals	(593)	(1,932)	(144)	(2,669)
Exchange adjustment	1,551	(1,252)	1,872	2,171
At end of year	**169,922**	**30,761**	**146,126**	**346,809**
Depreciation				
At start of year	146,618	22,048	108,335	277,001
Charge for the year	8,056	3,700	8,673	20,429
On disposals	(560)	(1,420)	(107)	(2,087)
Exchange adjustment	1,459	(1,353)	1,083	1,189
At end of year	**155,573**	**22,975**	**117,984**	**296,532**
Net book value				
At 31 December 2009	**14,349**	**7,786**	**28,142**	**50,277**

GROUP Year ended 31st December 2008	Computer equipment Shs'000	Motor vehicles Shs'000	Furniture, fixtures, fittings & office equipment Shs'000	Total Shs'000
Cost				
At start of year	146,754	26,443	136,858	310,055
Additions	6,915	3,498	1,239	11,652
Disposals	(4,585)	(492)	(1,270)	(6,347)
Exchange adjustment	2,404	1,353	2,621	6,378
At end of year	**151,488**	**30,802**	**139,448**	**321,738**
Depreciation				
At start of year	139,553	17,705	98,715	255,973
Charge for the year	9,041	3,523	8,922	21,486
On disposals	(4,358)	(295)	(952)	(5,605)
Exchange adjustment	2,382	1,115	1,650	5,147
At end of year	**146,618**	**22,048**	**108,335**	**277,001**
Net book value				
At 31 December 2008	**4,870**	**8,754**	**31,113**	**44,737**

Notes (Continued)

18 INVESTMENT PROPERTIES

The valuation of investment properties was carried out by M/S Mohamed A Samji on the basis of open market value. Investment properties include properties situated outside Kenya valued at Shs 760 million (2008: Shs 760 million).

	GROUP		COMPANY	
	2009 Shs'000	2008 Shs'000	2009 Shs'000	2008 Shs'000
At start of year	2,471,390	1,946,014	760,000	750,000
Additions and capital improvements	102,152	-	-	-
Disposals	-	(26,574)	-	-
Exchange difference	391	(1,050)	-	-
Fair value gains (note 7)	-	553,000	-	10,000
At end of year	2,573,933	**2,471,390**	760,000	**760,000**

19 QUOTED SHARES

GROUP	FV Through P/L 2009 Shs'000	FV Through OCI 2009 Shs'000	Total 2009 Shs'000	Total 2008 Shs'000
At start of year	3,925,286	-	3,925,286	3,869,379
Additions	122,728	-	122,728	3,246,226
Disposals	(9,019)	-	(9,019)	(1,519,067)
Impairment	-	-	-	(102,330)
Reclassification FVTPL-FVTOCI	-	951,734	-	-
Transfer to retained earnings	(23,889)	-	(23,889)	-
Fair value loss through other comprehensive income	-	(107,149)	(107,149)	(967,246)
Fair value gains/(losses) through profit and loss	132,338	-	132,338	(600,760)
Exchange loss	-	-	-	(915)
At end of year	3,195,710	844,585	4,040,295	3,925,287

COMPANY	FV Through P/L 2009 Shs'000	FV Through OCI 2009 Shs'000	Total 2009 Shs'000	Total 2008 Shs'000
At start of year	397,777	-	397,777	602,119
Additions	-	-	-	309,497
Disposals	-	-	-	(348,498)
Reclassification FVTPL-FVTOCI	(397,777)	397,777	-	-
Fair value gains through other comprehensive income	-	4,791	4,791	-
Fair value losses through profit and loss	-	-	-	(165,341)
At end of year	-	402,568	402,568	397,777

Notes (Continued)

20 UNQUOTED SHARES

	GROUP		COMPANY	
	2009 Shs'000	**2008 Shs'000**	**2009 Shs'000**	**2008 Shs'000**
At start of year	1,192,045	1,076,079	346,271	809,380
Transfers (Note 14)	(353,282)	-	(353,282)	19,721
Additions	-	19,720	-	(553,510)
Fair value gains through other comprehensive income	22,207	-	13,092	-
Fair value gains on equity investments at fair value through profit and loss	190,623	96,246	-	70,680
At end of year	**1,051,593**	**1,192,045**	**6,081**	**346,271**

21 LOANS RECEIVABLE

i. Mortgage loans

GROUP	**2009 Shs'000**	**2008 Shs'000**
At start of year	41,345	82,608
Loans advanced	12,859	11,101
Interest and penalties	8,493	13,623
Less: Provision for impairment losses during the year	(3,029)	(1,113)
Redemptions/repayments	(12,517)	(64,874)
Exchange difference	4,085	-
At end of year	**51,236**	**41,345**

Maturity profile of mortgage loans

GROUP	**2009 Shs'000**	**2008 Shs'000**
Within 1 year	1,137	1,600
In 1-5 years	29,597	24,183
In over 5 years	20,502	15,562
Total	**51,236**	**41,345**

Lending commitments
There were no mortgage loans approved by the directors but not advanced at 31st December 2009 (2008: Nil).

Gross mortgage loans	107,757	94,837
Provision for impairment	(56,521)	(53,492)
Net mortgage loans	**51,236**	**41,345**

Notes (Continued)

21 LOANS RECEIVABLE (Continued)

ii. Loans On Life Insurance Policies

GROUP	2009 Shs'000	2008 Shs'000
At start of year	189,895	182,582
Loans advanced	64,722	76,575
Interest	25,359	25,290
Loan repayments	(84,226)	(94,806)
Impairment charge /(credit)	574	254
At end of year	**196,324**	**189,895**

Maturity profile of policy loans

GROUP	2009 Shs'000	2008 Shs'000
Loans maturing		
Within 1 year	34,568	29,688
In 1-5 years	113,272	108,798
In over 5 years	48,484	51,409
Total	**196,324**	**189,895**

22 REINSURERS' SHARE OF INSURANCE CONTRACT LIABILITIES

GROUP	2009 Shs'000	2008 Shs'000
Reinsurers' share of:		
- Unearned premium (Note 31)	725,734	612,324
- Notified claims outstanding and IBNR (Note 30)	962,085	804,954
Total	**1,687,819**	**1,417,278**

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

Notes (Continued)

23 DEFERRED ACQUISITION COSTS

GROUP

	2009 Shs'000	2008 Shs'000
At start of year	112,440	42,387
Net increase	11,673	70,053
Translation loss	(588)	-
At end of year	**123,525**	**112,440**

24 GOVERNMENT SECURITIES AT AMORTISED COST

GROUP	2009 Shs'000	2008 Shs'000
In Kenya:		
Treasury bills maturing within 91 days of the date of acquisition	-	167,261
Treasury bills maturing after 91 days of the date of acquisition	-	19,925
Treasury bonds maturing within 1 year	547,076	26,320
Treasury bonds maturing in 1-5 years	1,069,250	1,496,821
Treasury bonds maturing after 5 years	1,953,774	792,732
Outside Kenya:	-	
Treasury bonds maturing within 1 year	662,341	535,608
Total	**4,232,441**	**3,038,667**

25 CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2009 Shs'000	2008 Shs'000	2009 Shs'000	2008 Shs'000
Cash and bank balances	236,816	778,368	17,449	2,932
Short-term deposits with banks	3,247,958	2,828,402	5,804	9,821
Bank overdraft (Note 33)	(64,394)	(945)	(7)	(7)
Treasury bills maturing within 91 days of the date of acquisition (Note 24)	-	167,261	-	-
Total	3,420,380	**3,773,086**	23,246	**12,746**

Notes (Continued)

26 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% (2008: 30%). The movement in the deferred income tax account is as follows:

	GROUP		COMPANY	
	2009 Shs'000	2008 Shs'000	2009 Shs'000	2008 Shs'000
At start of year	187,458	158,299	122,683	119,683
Income statement charge	(2,703)	29,159		3,000
At end of year	**184,755**	**187,458**	**122,683**	**122,683**

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

	GROUP		COMPANY	
	2009 Shs'000	2008 Shs'000	2009 Shs'000	2008 Shs'000
Deferred income tax asset	(2,801)	(2,801)	-	-
Deferred income tax liability	187,556	190,259	122,683	122,683
Net deferred income tax liability	**184,755**	**187,458**	**122,683**	**122,683**

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

	1.1.2009 Shs'000	Group Charged P&L Shs'000	31.12.2009 Shs'000	1.1.2009 Shs'000	Company Charged P&L Shs'000	31.12.2009 Shs'000
Fair value gains on investment properties	223,480		223,480	120,973	-	120,973
Accelerated depreciation	(12,289)	(2,703)	(14,992)	-	-	-
Impairment provisions and other deductible temporary difference	(23,733)		(23,733)	1,710	-	1,710
Net deferred income tax liability	**187,458**	**(2,703)**	**184,755**	**122,683**	**-**	**122,683**

	1.1.2008 Shs'000	Group Charged P&L Shs'000	31.12.2008 Shs'000	1.1.2008 Shs'000	Company Charged P&L Shs'000	31.12.2008 Shs'000
Fair value gains on investment properties	180,580	42,900	223,480	119,683	3,000	122,683
Accelerated depreciation	(8,484)	(3,805)	(12,289)	-	-	-
Impairment provisions and other deductible temporary difference	(13,797)	(9,936)	(23,733)	-	-	-
Net deferred income tax liability	**158,299**	**29,159**	**187,458**	**119,683**	**3,000**	**122,683**

Notes (Continued)

27 EARNINGS PER SHARE

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

GROUP

	2009	2008
Net profit attributable to Shareholders (Shs`000)	824,982	636,241
Adjusted weighted average number of ordinary shares in issue (thousands)	45,000	45,000
Earnings per share (Shs)-Basic and diluted	**18.33**	**14.14**

There were no potentially dilutive shares in issue at 31st December 2009 and 31st December 2008. Diluted earnings per share are therefore the same as basic earnings per share.

28 INSURANCE CONTRACT LIABILITIES

Short-Term non-life insurance contracts

	2009 Shs'000	2008 Shs'000
- Claims reported and claims handling expenses (Note 30(i))	2,213,174	1,941,381
- Claims incurred but not reported (Note 30(i))	525,460	419,631
Total Short-Term	**2,738,634**	**2,361,012**

Long-Term insurance contracts

- Claims reported and claims handling expenses	243,457	187,965
- Actuarial value of long term liabilities	3,607,214	3,235,011
Total Long-Term	**3,850,671**	**3,422,976**
Total gross insurance liabilities	**6,589,305**	**5,783,988**

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 2009 and 2008 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 liability for each accident year has changed at successive year-ends.

Notes (Continued)

28 INSURANCE CONTRACT LIABILITIES (Continued)

i. Short-Term insurance contracts

Accident year	**2005 Shs'000**	**2006 Shs'000**	**2007 Shs'000**	**2008 Shs'000**	**2009 Shs'000**	**Total Shs'000**
Estimate of ultimate claims cost						
at end of accident year	479,847	457,362	295,523	1,716,581	2,477,244	5,426,558
one year later	131,003	403,541	323,284	678,514	-	1,536,341
two years later	147,227	117,361	100,189	-	-	364,777
three years later	(37,291)	76,786	-	-	-	39,495
four years later	67,565	-	-	-	-	67,565
Incurred per accident year	479,188	238,170	332,449	816,893	2,777,646	4,644,347
Current estimate of cumulative claims	(176,264)	(135,885)	(163,582)	-	-	(475,731)
Less: cumulative payments to date	(29,481)	(29,271)	(30,327)	(209,465)	(1,656,898)	(1,955,443)
Total gross claims liability included in the balance sheet before IBNR	273,443	73,014	138,540	607,429	1,120,748	2,213,174
Incurred but not reported	-	-	-	-	525,460	525,460
Total gross claims liability Included in the balance sheet	**273,443**	**73,014**	**138,540**	**607,429**	1,646,208	**2,738,634**

ii. Actuarial liabilities based on generally accepted actuarial principles were computed as at 31st December, 2009. The assumptions underlying the liability computation take into account the terms and conditions governing the policies, expected premiums, mortality rates disability rates, lapse rate, 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

29 CONTINGENT LIABILITIES AND COMMITMENTS

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

Treasury bonds of Shs 980.45 million are held under lien with the Central Bank of Kenya as security deposit in favour of the Commissioner of Insurance as required under the provisions of section 32 of Kenya Insurance Act, Shs 11.06 million are held under lien with the Bank of Uganda as security deposit in favour of the Commissioner of Insurance as required under the provisions of section 7 (i) of Uganda Insurance Act and Shs 28.38 million are held under lien with the Bank of Tanzania as security deposit in favour of the Commissioner of Insurance as required under the provisions of Tanzania Insurance Act.

Notes (Continued)

30 MOVEMENT IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

GROUP

i. Short-Term insurance business

	Gross Shs'000	Reinsurance Shs'000	2009 Net Shs'000	Gross Shs'000	Reinsurance Shs'000	2008 Net Shs'000
Notified claims	1,941,381	752,158	1,189,223	1,778,121	174,810	1,603,311
Incurred but not reported	419,631	52,796	366,835	337,225	40,639	296,586
Total at start of the year	2,361,012	804,954	1,556,058	2,115,346	215,449	1,899,897
Cash paid for claims settled in year	(2,311,200)	(333,558)	(1,977,642)	(2,192,998)	(42,407)	(2,150,591)
Increase in liabilities						
arising from current year claims	2,915,411	481,297	2,434,114	3,009,734	844,265	2,165,469
arising from prior year claims	(226,589)	9,392	(235,981)	(571,070)	(212,353)	(358,717)
Total at end of year	**2,738,634**	**962,085**	**1,776,549**	**2,361,012**	**804,954**	**1,556,059**
Notified claims	2,213,174	829,659	1,383,515	1,941,381	752,158	1,189,223
Incurred but not reported	525,460	132,426	393,034	419,631	52,796	366,835
Total at the end of year	**2,738,634**	**962,085**	**1,776,549**	**2,361,012**	**804,954**	**1,556,058**

31 PROVISIONS FOR UNEARNED PREMIUM

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

Unearned premium provision

GROUP

	Gross Shs'000	Reinsurance Shs'000	2009 Net Shs'000	Gross Shs'000	Reinsurance Shs'000	2008 Net Shs'000
At start of year	2,110,693	612,324	1,498,369	1,718,880	539,266	1,179,614
Increase in the period (net)	402,293	113,410	288,883	391,813	73,058	318,755
At end of year	**2,512,986**	**725,734**	**1,787,252**	**2,110,693**	**612,324**	**1,498,369**

32 DIVIDENDS PER SHARE

Proposed dividend is accounted for as a separate component of equity until ratified at an Annual General Meeting. During the year an interim dividend of Shs 45 million was paid (2008: Shs 45 million) or Shs 1.00 per share (2008: Shs 1.00 per share). At the Annual General Meeting to be held on 15th June, 2010 a final dividend of Shs 157.5 million (2008: Shs 146.25 million) is to be proposed, which is Shs 3.50 per share (2008: Shs 3.25). The total dividend is therefore Shs 202.5 million (2008: Shs 191.25 million) or Shs 4.50 per share (2008: Shs 4.25 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.

Notes (Continued)

33 BORROWINGS

The borrowings are made up as follows:

	2009 Shs'000	2008 Shs'000
Bank overdraft	64,394	945
Bank borrowing	985,135	1,021,605
Total borrowing	**1,049,529**	**1,022,550**

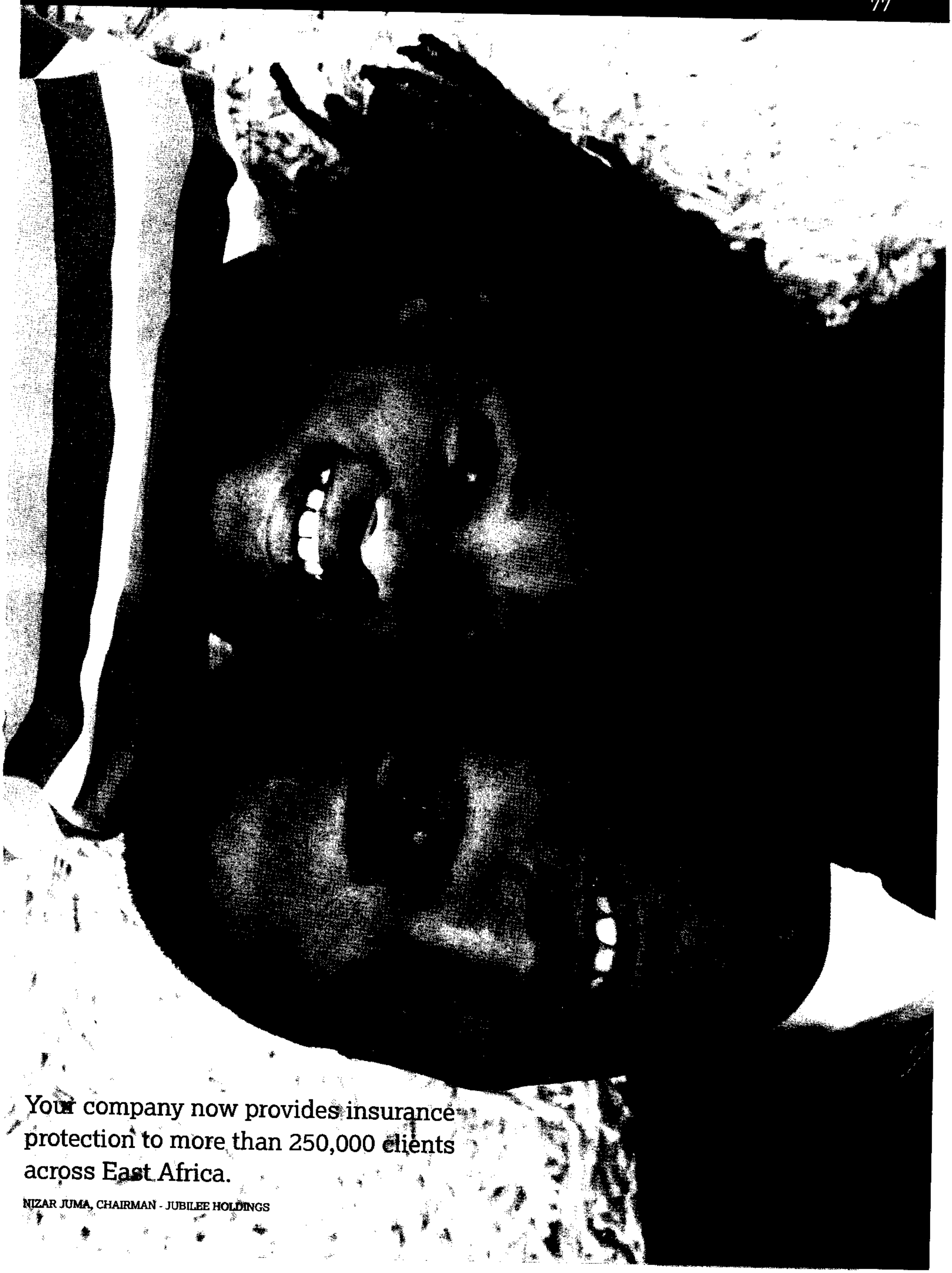
The bank borrowing relates to a loan of USD 13 million advanced by Barclays Bank of Kenya Limited to The Jubilee Investments Company Limited (Uganda) to finance the investment in Bujagali Hydro-electric project in Uganda. The loan attracts an interest of 1.75% per annum above the USD LIBOR. The loan is secured by corporate guarantee from the Company.

34 HEDGE RESERVES

The Group has hedged the foreign exchange movement of its US$ 15m investment in Bujagali Holding Power Company Limited by borrowing a US$ 13m denominated loan. The hedge is expected to be 87% effective for the next three year period. The hedge reserve is included in the translation reserve. Below is the movement in the hedge reserve:

	2009 Shs'000	2008 Shs'000
Loan translation difference	106,958	130,975
Currency translation difference	120,656	148,898
Balance of the hedge reserve	**13,698**	**17,923**

Notes



Your company now provides insurance protection to more than 250,000 clients across East Africa.

NIZAR JUMA, CHAIRMAN - JUBILEE HOLDINGS

Supplementary information

GROUP REVIEW – TEN YEARS

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
				Shs million						
Shareholders' Funds	3,389	2,871	3,606	3,393	2,370	2,094	2,029	1,711	1,555	1,619
Share Capital	225	225	225	180	180	180	180	180	180	180
Long-Term Business Funds	11,495	11,730	9,333	6,504	5,115	4,081	3,310	2,812	2,474	2,018
Total Assets	23,736	20,203	17,942	15,356	11,591	9,724	8,406	6,629	5,649	5,201
Total Investment Income	1,322	1,740	1,534	1,289	1,000	558	552	359	359	355
Profit Before Tax	1,116	901	810	665	471	359	313	213	170	117
Profit Attributable to Shareholders	825	636	617	528	348	241	213	164	121	78
Dividends to Shareholders	203	191	191	153	144	90	81	63	63	63
Dividend Cover Ratio	4.07	3.33	3.23	3.45	2.42	2.68	2.63	2.61	1.92	1.24
Bonus Issue	-	-	1:04	-	-	-	-	-	-	-
Earnings Per Share* (Shs) (par value Shs 5)	18.33	14.14	13.71	11.73	7.73	5.36	4.73	3.64	2.69	1.73

* Earnings per share has been calculated on 45 million shares for all the years.

CUT HERE

PROXY FORM

Jubilee Holdings Limited
INCORPORATED IN KENYA, ESTABLISHED 1937

I/We (in block letters) ______________________________
of ______________________________
being a member/s of Jubilee Holdings Limited, hereby appoint ______________
____
of ______________________________
or failing him/her, ______________________________
of ______________________________
or failing him/her the Chairman of the meeting to be my/our proxy, to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Monday June 14th 2010 at 11:00 a.m. and at any adjournment thereof.

As witness my hand this ________day of ______________________ 2010.

Signature ______________________

Important notes:

1. If you are unable to attend this meeting personally, this Proxy Form should be completed and returned to The Company Secretary, Jubilee Holdings Limited, P.O. Box 30376, 00100 GPO, Nairobi, Kenya so as to reach her not later than 48 hours before the time appointed for holding the meeting.

2. A person appointed to act as Proxy need not be a member of the Company.

3. If the appointer is a corporation, this Proxy Form must be under the hand of the officer or Attorney duly authorized in writing.

FOLD 2

STAMP

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

FOLD 1

FOLD 3

Additional group information

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72 YEARS
OF FRIENDSHIP