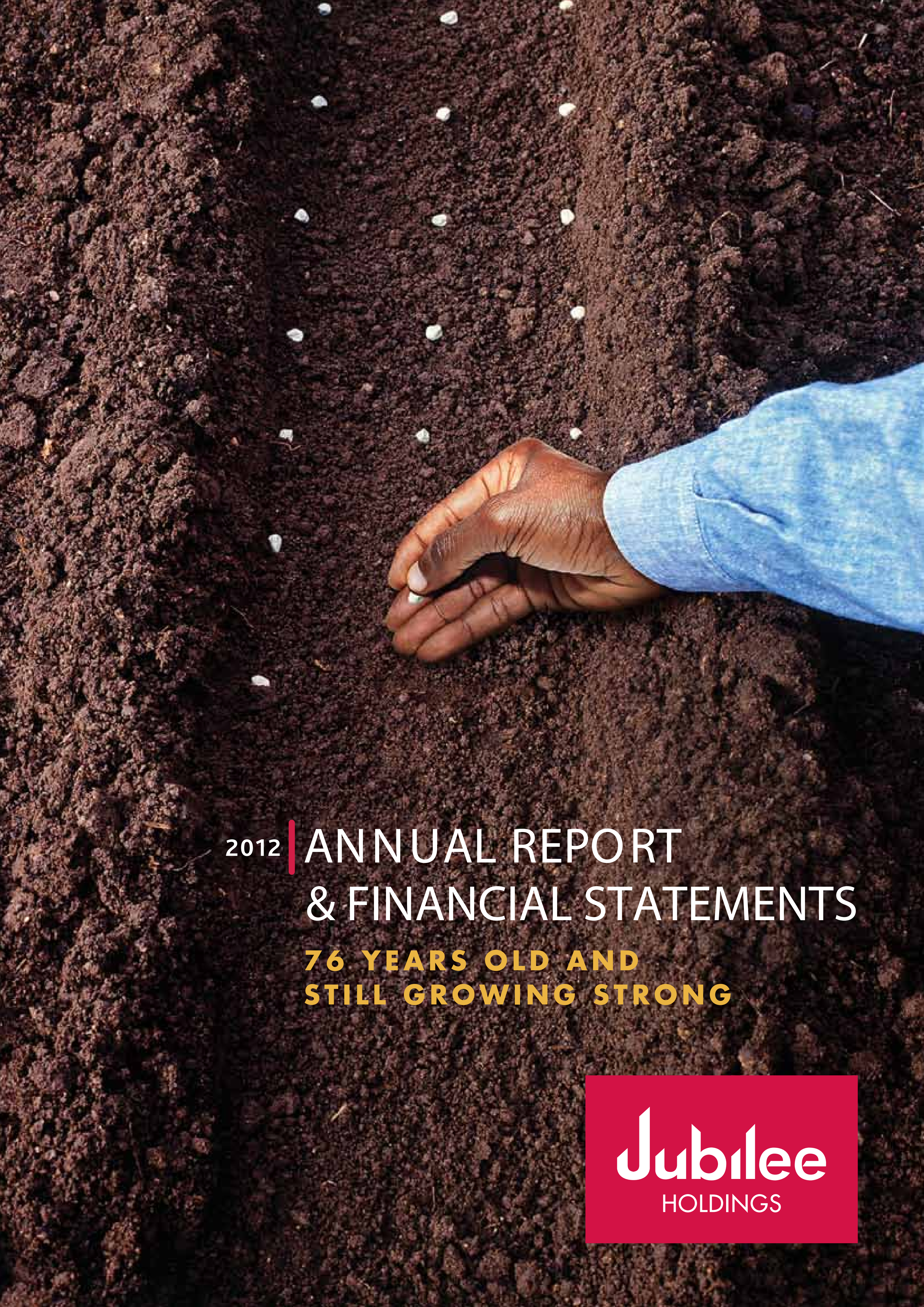

2012 ANNUAL REPORT & FINANCIAL STATEMENTS

76 YEARS OLD AND STILL GROWING STRONG

Jubilee HOLDINGS

BUSINESSES ARE STARTING UP AND IDEAS ARE BEING EXECUTED.

JUBILEE HOLDINGS IS ALSO GROWING STRONG AND STEADY AND IS INNOVATING EVERY DAY IN ORDER TO CONTINUE DOING SO.

Vision
Enabling people to overcome uncertainty

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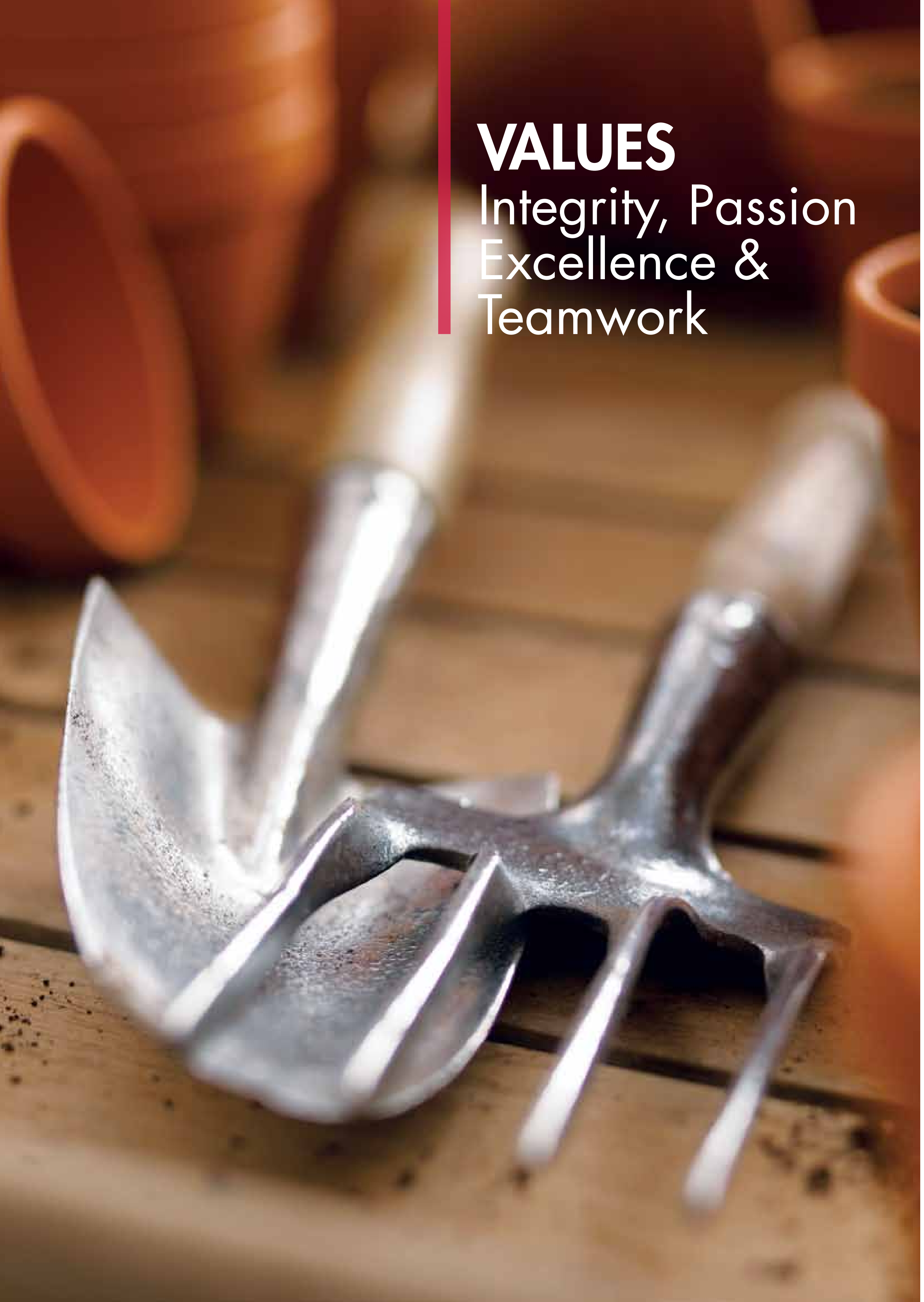


GROUP INFORMATION

Capital and reserves	**2012 Kshs' 000**	**2011 Kshs' 000**
Authorised Capital	350,000	350,000
Issued Capital	299,475	272,250
Paid-up Capital	299,475	272,250
Retained Earnings	7,480,077	5,861,745

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.jubileeinsurance.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%)
The Jubilee Insurance (Mauritius) Limited (80%)
The Jubilee Insurance Burundi S.A. (70%)
Jubilee Investments Burundi Limited (100%)
Jubilee Center Burundi (80%)

Associates
PDM (Holdings) Limited (37.1%)
IPS Power Investment Limited (27.0%)
Bujagali Holding Power Company Limited (25.0%)
FCL Holdings Limited (30.0%)
IPS Cable Systems Limited (33.3%)

Auditor
KPMG Kenya

Corporate Lawyers
Daly & Figgis Advocates

Share Registrar
Jubilee Holdings Limited

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

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 75TH ANNUAL GENERAL MEETING of the Shareholders will be held at the Nairobi Serena, Kenyatta Avenue, on Thursday June 6th, 2013 at 11:00 a.m. to transact the following business:

Ordinary Business:

1. To consider and, if thought fit, to adopt the Consolidated Accounts for the year ended 31st December, 2012, the Report of the Directors and the Report of the Auditors thereon.

2. To confirm the payment of the interim dividend of 20% made on 12th October, 2012 and approve the payment of a final dividend of 120% on the issued and paid-up capital of the Company on or about 19th July, 2013 to the Shareholders registered as at 6th June, 2013.

3. To elect the following Directors who retire by rotation:

   (a) Mr. Sultan Allana, a director retiring by rotation who being eligible offers himself for re-election in accordance with Article 86 of the Memorandum and Articles of Association.

   (b) Mr. Juma Kisaame, a director retiring by rotation who being eligible offers himself for re-election in accordance with Article 86 of the Memorandum and Articles of Association.

   (c) In accordance with Article 90 of the Memorandum and Articles of Association Mr. Shabir Abji is due for retirement, this being the first Annual General Meeting to be held since his appointment as Director and being eligible, offers himself for re-election.

4. To note the death of Mr. Tom Owuor who passed away on 24th October, 2012.

5. To approve the Directors' remuneration.

6. To note that the auditors, KPMG Kenya, will continue in office in accordance with section 159 (2) of the Companies Act and to authorize the Directors to fix the Auditor's remuneration.

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

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

"RESOLVED that Mr. Sultan Khimji who has already attained the age of 70 years, be and is hereby re-elected as a Director of the Company."

By order of the Board

Carolynne Ivy Ngana

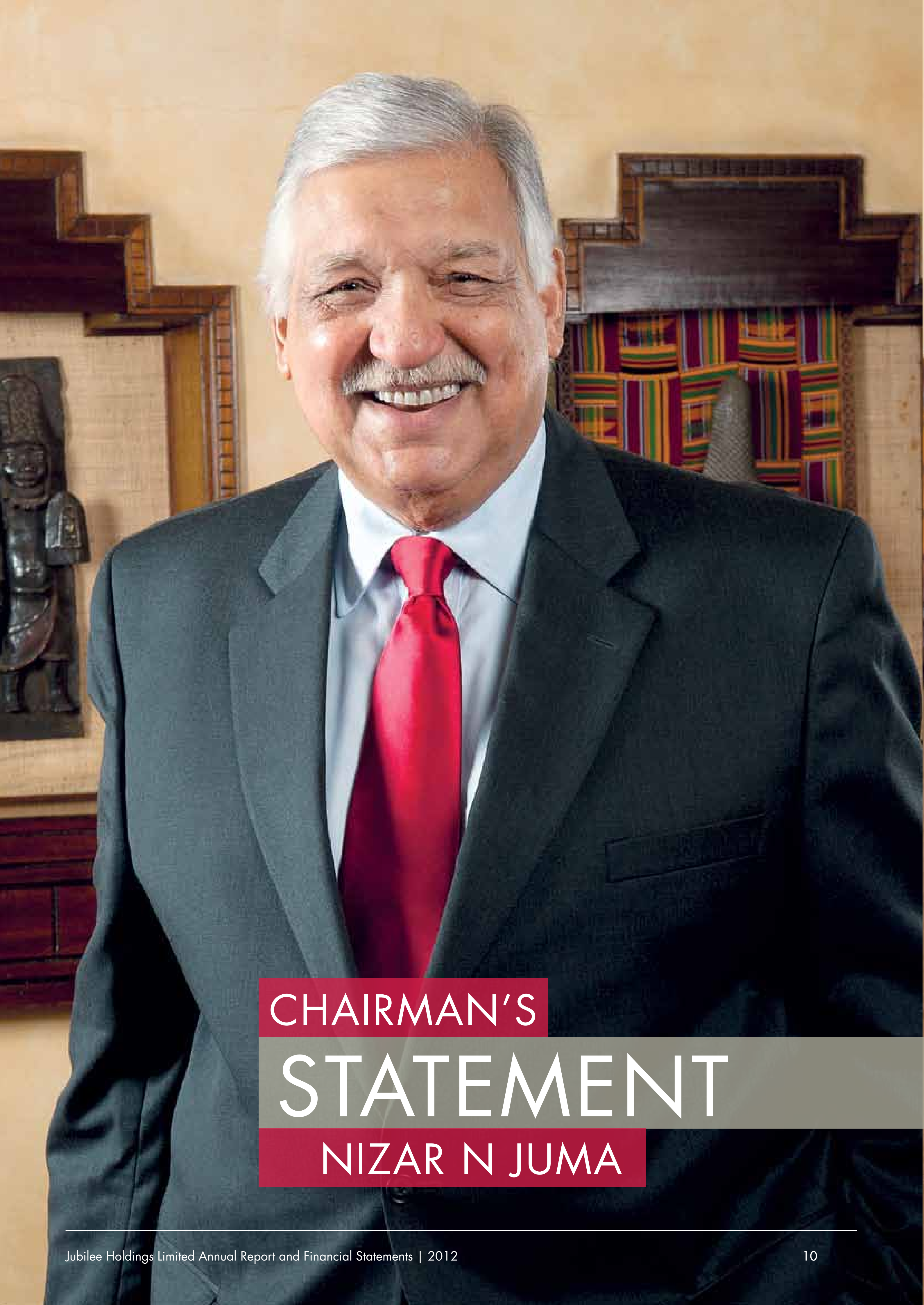
Company Secretary

30th April 2013

Note:
A member entitled to attend and vote at this meeting may appoint a proxy to attend and vote on his/her behalf and such proxy need not be a member of the Company. The proxy form is available on the Company's website www.jubileeinsurance.com.

BOARD OF DIRECTORS

Standing left to right: Juma Kisaame, Ramadhani K Dau, Ivy C Ngana, Lutaf R Kassam, Sultan A Allana, Sultan K Khimji
Seated left to right: Late Tom D Owuor, Nizar N Juma (Chairman), John J Metcalf



CHAIRMAN'S STATEMENT

NIZAR N JUMA

...Once again, Jubilee has emerged as the number one composite insurance company in the region while at the same time retaining leadership in Kenya, Uganda and Tanzania...

DEAR SHAREHOLDERS,

I am pleased to present the 2012 annual report and financial statements of Jubilee Holdings Limited, showing yet another year of impressive growth and record profitability despite local and global economic challenges in the markets we operate in. During the year, Jubilee remained focused on core competencies and growth strategies. Jubilee's performance resulted in an increase of 27% in Gross Written Premium including Deposit Administration contributions to stand at Kshs 20.251 billion. This included excellent contributions from all five territories in which Jubilee operates. The Jubilee Group achieved a 26% increase in Pre-tax profit to Kshs 2.693 billion, which was supported by an increase in underwriting profit to Kshs 611 million and increased profit contributions of Kshs 179 million from our fast growing life insurance business. During this period, Jubilee has remained the largest composite insurance company in Kenya and overall in East Africa, a position it has now enjoyed for four consecutive years.

Jubilee's strategy of diversifying its investment and asset base provided an impressive investment income growth of 17% largely due to the improvement in the interest rates and the securities market. Overall assets under management increased to Kshs 47.418 billion at the end of 2012.

NATIONAL ECONOMY

2012 had its unique challenges, among them high interest rates that constrained the general credit facilities for borrowers and tourist numbers which declined against a backdrop of the economic pressures of 2011. Tight monetary policies enacted by the Central Bank helped in regaining economic stability in 2012. Inflation rate hit its lowest mark of 3.2% at end of the year (December 2011: 18.9 %), and the Kenya shilling weakened marginally against major foreign currencies, exchanging at an average of Kshs 86.03, 139.02 and 113.56 for the US dollar, Sterling Pound and Euro respectively at end of December 2012 while the NSE index improved tremendously to 4,133 in December 2012 against 3,205 in 2011.

This growth is largely attributed to a growing middle class that is continually attracting investment flows in the consumer industry within the East African Market.

GLOBAL ECONOMY

The world economy (IMF January 2013) is projected to grow by 3.2%, largely from emerging markets in developing countries. The World Bank estimates growth from developing economies at 5.1% in 2012 which is expected to rise to 5.8% by 2015. Sub Saharan Africa alone contributed about 4.6% of the global economic growth majorly generated by high domestic demand, high export volumes and the discovery of more minerals.

INSURANCE INDUSTRY

The regional insurance market continues to face various challenges including very low insurance penetration, increased competition due to the arrival of new entrants in our markets and banking legislation challenges which have continued to constrain the development of bancassurance. Despite these challenges, Jubilee has been able to consolidate its market leadership in Kenya, Uganda and Tanzania and also made important gains in market share in Mauritius and Burundi.

In a positive development, the 2012 Finance Bill in Kenya sought to amend the Banking Act to accommodate bancassurance while the Insurance Act recognized and introduced micro-insurance as a separate class of business. These are encouraging developments and Jubilee will be seeking to take a leadership role in the development of these important business segments.

FINANCIAL PERFORMANCE

Jubilee Holdings Limited reported an increase in Gross Written Premiums (including Deposit Administration contributions) of 27% to Kshs 20.251 billion (2011: Kshs 15.983 billion). Profit before Tax stood at Kshs 2.693 billion, an increase of 26% over 2011 (2011: Kshs 2.144 billion). The Company posted insurance result of Kshs 790 million, which saw contribution from all lines of business and is significantly higher than those of our peers. This performance was achieved despite the challenges faced in our local markets and underlines our capability to deliver superior value and returns for our shareholders and other stakeholders, even under difficult circumstances.

Based on this impressive 2012 performance, I am pleased to report that the Board has recommended a dividend of 140% for the year 2012 (2011: 110%), on the increased share capital of Kshs 299.475 million. An interim dividend of 20% (Kshs 1.00 per share) was paid on 12th October, 2012. The Board is seeking approval for a final dividend of 120% (Kshs 6.00 per share).

GENERAL INSURANCE

General insurance Gross Written Premium grew by 26% in 2012 to reach Kshs 9.396 billion (2011: Kshs 7.441 billion) with a combined ratio of 91.8%. This reflects our continued and strong focus on claims control and risk management strategy which resulted in an underwriting profit of Kshs 328 million in 2012.

Efforts to extend our distribution reach were successful as Jubilee expanded its agency network across Kenya and opened new branches in Uganda and Tanzania. To support this initiative and make insurance more accessible in rural communities, Jubilee has continued to launch innovative new products in agricultural insurance, and insurance targeted at Small and Medium Enterprises.

MEDICAL INSURANCE

Medical insurance business achieved a 32% growth to reach Kshs 5.042 billion (2011: Kshs 3.816 billion). Jubilee continues to penetrate new areas, consolidate and enlarge its market leadership in medical insurance business. Currently we have over 29% market share in Kenya while aggressive expansion in both Uganda and Tanzania has seen us retain market leadership and profitability. The introduction of J-Care, Jubilee's retail medical product tailored for families, picked up well during the year under review and this contributed towards the good performance in medical business. Sound underwriting and provider relationship management enabled Jubilee to once again report excellent underwriting profitability of Kshs 283 million in 2012.

LIFE INSURANCE

Life insurance business Gross Premium and Deposit administration inflows saw a growth of 23% to Kshs 5.813 billion (2011: Kshs 4.726 billion) as a result of strong growth in new business due to Jubilee's expansion of its agency network. This is in line with the Group's strategy to expand our life insurance portfolio in the market and the success of the company's asset building products which are built around the long term saving, education and protection needs of Jubilee's customers.

OPERATIONS

It is gratifying to report that all the subsidiary insurance companies returned a profit before tax. Once again, Jubilee has emerged as the number one composite company in the region while at the same time retaining leadership in Kenya, Uganda and Tanzania. Great improvement has also been experienced in our younger subsidiaries, Burundi and Mauritius, both in profitability and market leadership.

Jubilee's balance sheet continues to grow strong with total assets growing by 25% and deposit administration increasing by 33%. This is a reflection of the controls in place to safeguard your investments and ability to offer consistent returns over time. Total income increased by 36% to Kshs 14.326 billion while the total comprehensive income went up by a whopping 62% from Kshs 1.411 billion to Kshs 2.293billion.

Jubilee continues to strengthen its senior management team to consolidate its position as the leading insurance franchise in Kenya and provide the capacity and competence base to pursue further growth. Significant investments have also been made in information communication and technology (ICT) in order to support our growing business portfolio, and ensure service delivery is second to none. In 2012, the company went "live" with a new and sophisticated Life insurance system (Penta ISF), and commenced deployment of a new state-of-the-art Medical insurance system (Actisure) which will be fully operational in the 3rd quarter of 2013.

In a bid to sustain the robust growth, Jubilee will continue to open more offices in various parts of the country targeting upcoming commercial hubs that are being created by the devolved governance implementation that is currently going on in the country and replicating the same in other countries as the need arises. Various strategic initiatives to grow the retail medical business, bancassurance and micro-insurance products are underway with an online sales platform having been drawn up which will see Jubilee continue to lead the market in product innovation, distribution channels and customer service.

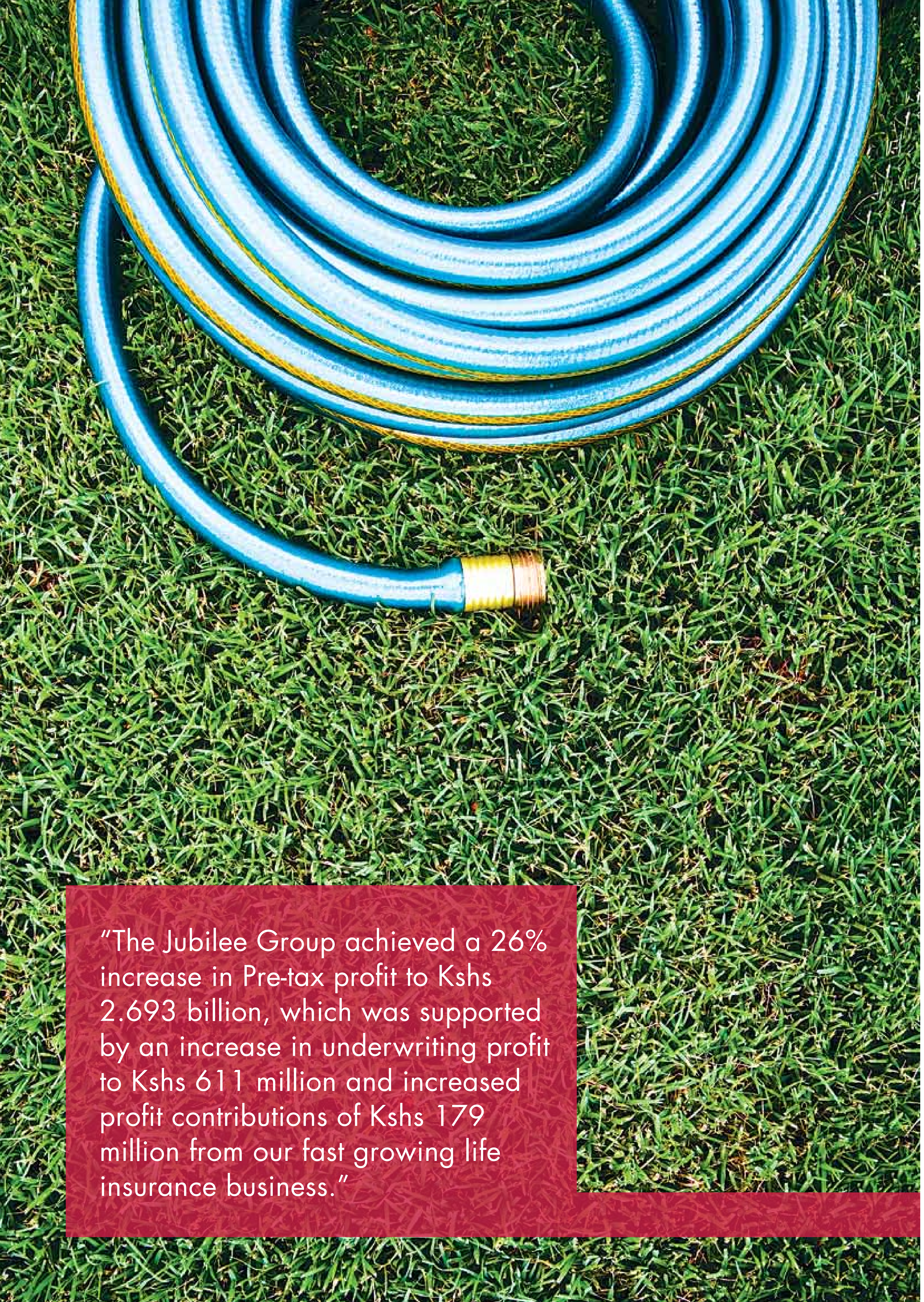
BOARD OF DIRECTORS

The Directors who held office in 2012 are listed on page 8 and 9 of this report. It is with regret that we note the passing away of Mr. Tom Owuor on 24th October, 2012. Mr. Owuor served the Board since April 1999 and his contributions will be greatly missed. As we continue to expand our horizons, the Board continues to reflect your Company's regional outlook, while drawing from the Company's Vision, Mission and Values which continue to steer your Company to greater heights in achieving its strategic objectives.

CORPORATE SOCIAL RESPONSIBILITY

During the year under review, Jubilee continued to commit resources towards key Corporate Social Responsibility (CSR) initiatives that support some of the critical needs of the local communities, through partnerships with like-minded organizations, as well as implementing its trademark CSR projects. The activities undertaken during the year under review included; The Jubilee Insurance Samaritan Award (JISA), Canadian High Commission Golf Tournament, Mater Heart Run, the Standard Chartered Marathon and tree planting drives in Uganda and Tanzania.

With the overwhelming support of the Jubilee family, The Jubilee Children Fund (JCF) continues to grow in supporting health and education initiatives to



"The Jubilee Group achieved a 26% increase in Pre-tax profit to Kshs 2.693 billion, which was supported by an increase in underwriting profit to Kshs 611 million and increased profit contributions of Kshs 179 million from our fast growing life insurance business."

orphaned and bright children from poor families.

MARKET PRESENCE AND RECOGNITION

Jubilee won several awards in the year under review, reflecting the appreciation of the business community and insurance industry for our unwavering standards of exellence in respect of our business practices, and customer service.

In Kenya, Jubilee was awarded thirteen awards (2011: twelve awards). Jubilee excelled as an Overall Winner in the following five awards: Life Insurer of the Year; Medical Insurer Underwriter of the Year; Marketing Initiative of the Year; Fraud Detection and Prevention Initiatives of the Year and The Risk Management Award. In addition, Jubilee excelled as first runner up in the following three awards: General Insurer of the Year; Claims settlement award and The socially responsible corporate award. Further, Jubilee received recognition as the second runners up in The ICT Award and The Major Loss Award. During the year Jubilee was also voted the Overall Winner for the 2012 Best Claims Settlement Award given by the Association of Insurance Brokers of Kenya (AIBK). On the group side, Jubilee scooped the Overall Winner as the Best Pensions Fund Provider and runners up as the Best Quoted Company of the year during the 2012 Capital Markets Authority Awards ceremony.

In Uganda, Jubilee was awarded the Best Insurer for 2012 by the Uganda Association of Insurance Brokers.

Jubilee Group celebrated its 75th birthday on the 3rd day of August 2012 and all stakeholders within the region were involved in the joyous celebrations.

2013 OUTLOOK

The business and regulatory environment will remain challenging in 2013, influenced by global economic trends. With the national elections now behind us, it is expected that investor confidence will gain ground with local microeconomic indicators pointing favorably. The establishment of a new system of devolved government may have its teething challenges, but augurs well for creating an enabling and business driven environment not only for Kenya but the region as a whole.

Jubilee will continue to focus on risk selection and best management practices so as to balance our entrepreneurial approach to business opportunities whilst protecting profitability. Key strategic initiatives for 2013 include improved renewal retention, enhanced product mix, continued development of new agency networks in addition to supporting the existing ones and reinvigorated producer incentive schemes that will help us drive our top line. Jubilee will also continue to focus on strengthening our customer relationships and growing business.

Jubilee Insurance has recently partnered with Bupa International, a leading international healthcare company. This new initiative will see Jubilee Insurance provide Bupa's world leading international health insurance products to its customers in Kenya at affordable rates.

We continue to be optimistic as we focus on our strategic goals to ensure that Jubilee continues to perform strongly in 2013 and generate sustainable and stable returns for our shareholders.

APPRECIATION

The contributions of Jubilee's various stakeholders have ensured that continued strong performance is achieved. These are no other than our business partners, intermediaries and customers. I would like to thank you for your continued support and loyalty, which have been instrumental in reinforcing Jubilee's position as the invincible market leader in Kenya and in East Africa.

I thank all our staff across the region who continue to show dedication and provide superior service to our customers. I would also like to acknowledge with appreciation my colleagues on the Board and those on the Boards of the subsidiaries for their diligence, guidance and support all of which has ensured that we achieve superior and excellent results during the year.

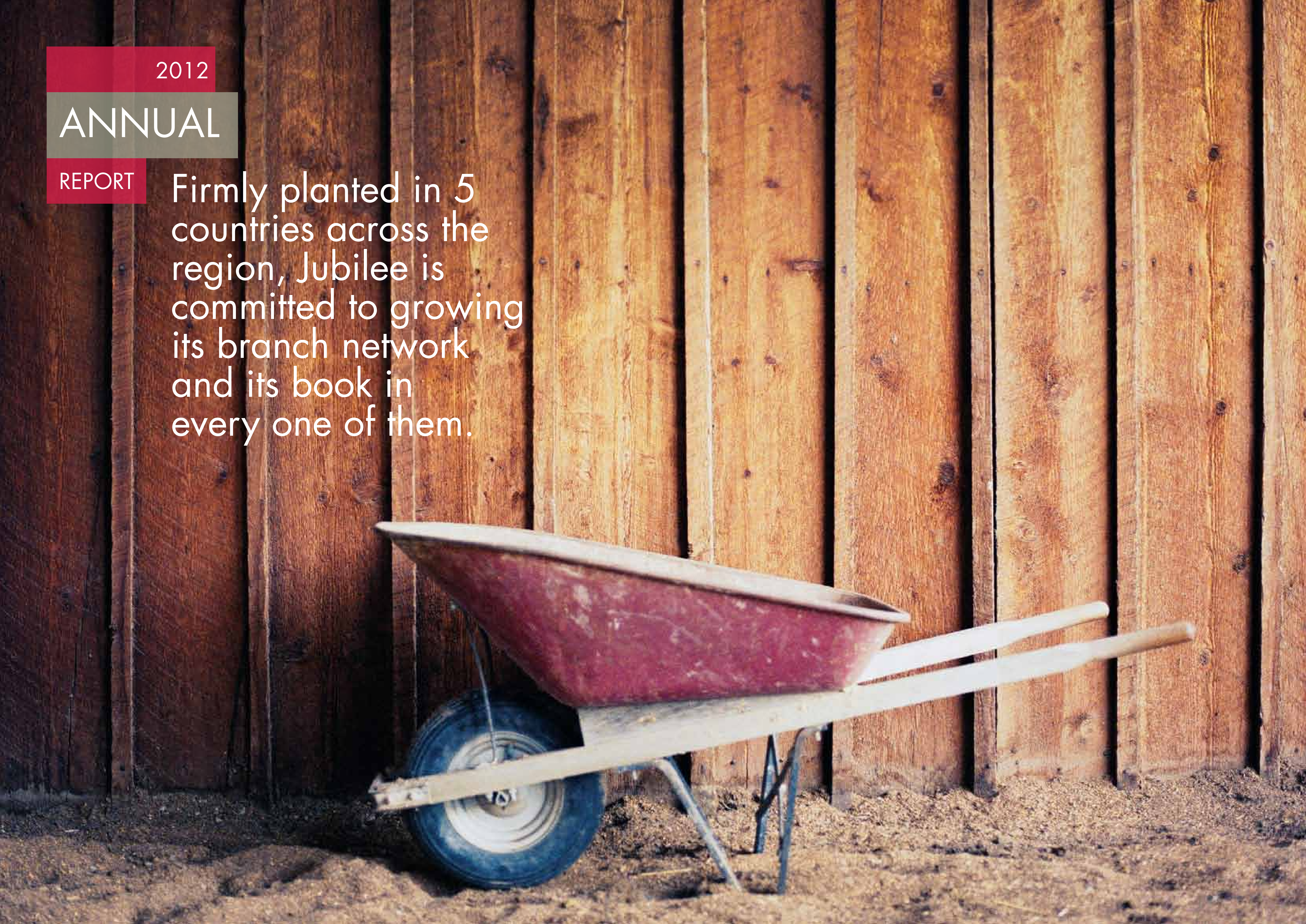
Nizar N Juma
Chairman
30th April 2013

2012

ANNUAL

REPORT

Firmly planted in 5 countries across the region, Jubilee is committed to growing its branch network and its book in every one of them.



REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31ST DECEMBER 2012

The Directors submit their report together with the audited consolidated financial statements for the year ended 31st December, 2012 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 investment holding company. The Company, through its subsidiaries The Jubilee Insurance Company of Kenya Limited, The Jubilee Insurance Company of Uganda Limited, The Jubilee Insurance Company of Tanzania Limited, and The Jubilee Insurance Company Burundi (SA), transacts all classes of general and long term insurance business as defined by the respective Insurance Act while Jubilee Insurance (Mauritius) Limited transacts all classes of general insurance business. It also owns investment companies in Uganda, Burundi and Tanzania and a fund management company in Kenya (Jubilee Financial Services Limited).

Results

The following is the summary of the results for the year ended 31st December, 2012:

	2012	2011
Profit analysis	**Kshs'000**	**Kshs'000**
Group profit before income tax	2,693,303	2,143,891
Income tax expense	**408,802**	**233,501**
Group profit after income tax	2,284,501	1,910,390
Non-controlling interest	**169,168**	**107,933**
Profit attributable to equityholders of the company	2,115,333	1,802,457

Dividend

An interim dividend of Kshs 1.00 per share amounting to Kshs 59.895 million (2011: Kshs 54.45 million) was paid on 12th October, 2012. The Directors recommend a final dividend of Kshs. 6.00 per share amounting to Kshs.359.370 million (2011: Kshs. 245.025 million) for approval by Shareholders. The total dividend for the year represents 140% of the issued share capital as at 31st December, 2012 (2011: 110%).

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 (Late)

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

Note: Mr. Tom Owuor passed away on 24th October, 2012.

Auditor

The Company's independent auditor, KPMG Kenya, continues in office in accordance with Section 159(2) of the Kenyan Companies Act (Cap. 486).

On behalf of the Board

Nizar N Juma
Chairman
30th April 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation and fair presentation of the Group and Company financial statements of Jubilee Holdings Limited set out on pages 26 to 79 which comprise consolidated and company statements of financial position as at 31st December, 2012, consolidated income statement, consolidated statement of comprehensive income, consolidated and company statements of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, in conformity with International Financial Reporting Standards and in the manner required by the Companies Act (Laws of Kenya). The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs and the operating results of the Group and the Company.

The Directors' responsibilities include: determining that the basis of accounting described in Note 2 is an acceptable basis for preparing and presenting the financial statements in the circumstances, preparation and presentation of financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act (Laws of Kenya) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Under the Companies Act (Laws of Kenya) the Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of the operating results of the Group for that year. It also requires the Directors to ensure the Group keeps proper accounting records which disclose with reasonable accuracy the financial position of the Group and the Company.

The Directors accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The Directors have made an assessment of the group and the company's ability to continue as a going concern and have no reason to believe the group and the company will not be a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The group and company financial statements, as indicated above, were approved by the Board of Directors on 30th April, 2013 and were signed on its behalf by:

Nizar N Juma
Chairman

Sultan K Khimji
Director

30th April, 2013

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

Board of Directors

The Directors represent the requisite diverse skills and experience to provide the necessary stewardship to the Company. The Board draws from its considerable collective experience in finance, insurance, investment, strategic management and human resource management in order to provide overall strategic guidance to the Group.

In accordance with the Company's Articles of Association, the Board meets at regular intervals to, amongst other things:

- Agree on the Company's strategic objectives, as well as plans to achieve these
- Review and approve the Company's annual budget
- Review the Company's performance against agreed goals and strategies
- Review the Company's policies and procedures
- Consider and approve the annual and interim financial statements
- Recommend dividends to the shareholders; and
- Approve other matters of fundamental significance

Members of senior management of the Company attend Board Meetings by invitation to ensure informed and efficient decision-making by the Board of Directors. In addition, the Board invites third party professionals to attend meetings and provide opinions and advice as necessary to enable the Board to discharge its fiduciary mandate.

The Board comprises eight non-executive Directors. The Directors who held office during the year under review and to the date of this report are listed on pages 8 and 9. There were no resignations from, or appointments to, the Board in the course of the financial year ended December 2012.

The Directors' attendance of Board Meetings for the year 2012 is as follows*:
(Quorum = Four)

Name	March	August
Nizar Juma (Chairman)	√	√
Sultan Allana	√	X
Ramadhani Dau	√	√
Lutaf Kassam	√	√
Sultan Khimji	√	√
Juma Kisaame	√	√
John Metcalf	√	√
Tom Owuor	√	X

Key: √ Present X Apologies

Board Committees

Pursuant to the Company's Articles of Association, the Board of Directors has delegated authority to three Committees as listed on pages 21 and 22. These committees operate under clearly articulated terms of reference (summarized below) which clarify their responsibilities and scope of authority. The Committees have unrestricted access to Group information and are authorized by the Board to obtain independent professional advice in the discharge of their functions.

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

(a) Board Audit and Compliance Committee:

Membership:

Sultan Khimji (Chairman), Juma Kisaame, John Metcalf, Tom Owuor, Amin Lakhani*.

Mandate:

This Committee is an informed, vigilant and effective overseer of the financial reporting process, internal controls, compliance and risk management issues in the Company, including any legislative and regulatory changes that impact on the Company's operations.
[*Amin Lakhani is a Director on the Board of The Jubilee Insurance Company of Tanzania Limited and has been co-opted onto the Board Audit and Compliance Committee in accordance with its Terms of Reference.]

(b) Board Finance Committee:

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

Mandate:
The Committee's function is to supervise the financial and investment business of the Company and provide guidelines and limits for investment of the Company's funds.

(c) Board Nominating and Human Resource Committee:

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

Mandate:
Having regard to the independence and quality of nominees to the Board, this Committee makes recommendations to the Board so as to ensure that all nominations are fair and transparent. The Committee has a board evaluation programme as a means of gauging the effectiveness of the Board and its operations.

For services on the Board and its Committees, the Directors receive remuneration approved by shareholders at the Annual General Meeting. In 2012, the aggregate amount of emoluments received by the Directors is shown under note 10 (ii) on page 61 of the annual report. No loans were advanced to the Directors during the year under review.

The Directors' attendance of Board Committee Meetings for the year 2012 is as follows:

(a) Board Audit and Compliance Committee:
(Quorum = Two

Name	March	August	November
Sultan Khimji	√	√	√
Juma Kisaame	√	√	X
John Metcalf	√	√	√
Tom Owuor	√	X	deceased
Amin Lakhani	√	X	X

(b) Board Finance Committee
(Quorum = Two)

Name	January	August
Lutaf Kassam	√	√
Ramadhani Dau	√	√
Sultan Khimji	√	√
John Metcalf	√	√

(c) Board Nominating and Human Resource Committee
(Quorum = Two)

Name	January	March	May	June
Nizar Juma	√	√	√	√
John Metcalf	X	√	√	√
Tom Owuor	√	√	√	√

Directors' interest in the shares of the company as at 31st December, 2012

Name	Number of shares held
Mr. Sultan Khimji (including shares held by his family and company in which he has an interest)	10,960

Distribution of shareholders as at 31st December, 2012

Grouping	No. of Shareholders	No. of Shares	% of Shareholding
Less than 500 shares	1,452	254,196	0.42%
500 – 5,000 shares	3,601	7,105,418	11.87%
5,001 – 10,000 shares	654	4,404,070	7.35%
10,001 – 100,000 shares	534	13,065,038	21.82%
100,001 – 1,000,000 shares	26	4,877,222	8.14%
Over 1,000,000 shares	6	30,189,056	50.40%
TOTAL	6,273	59,895,000	100.00%

List of 10 largest shareholders as at 31st December, 2012

Aga Khan Fund for Economic Development	22,751,025	37.98%
Ameerali K. Somji &/or Gulzar Ameerali K. Somji	2,310,000	3.86%
Ameerali K. Abdulrasul Somji	1,960,887	3.27%
United Housing Estates Limited	1,086,734	1.81%
Adam's Brown and Company Limited	1,070,109	1.79%
Freight Forwarders Kenya Limited	1,010,301	1.69%
Ameerali K. Abdulrasul Somji and Hanif Mohamed Somji	925,863	1.55%
Noorali Rashid Sayani and Gulshan Noorali Sayani	299,593	0.50%
Kenya General Agency (Mombasa) Limited	254,100	0.42%
Ariff Aziz Ukani and Farah Bahadur Alibhai Shamji	238,208	0.40%
TOTALS	31,906,820	53.27%

1. JISA Champion: Jubilee Insurance Kenya CEO Patrick Tumbo (left) presents the Jubilee Insurance Samaritan Award to Baraka Kahindi for innovating and rescuing Malindi residents from floods.

2. Blood Donation: Jubilee Insurance staff donates blood during a blood drive. Jubilee Insurance partnered with Blood Link in this noble initiative.

3. Children Homes Visit: Staff of Jubilee Insurance at Compassionate Children Home. The team had a great time interacting and playing with the children, as well as giving food supplies and monetary donations.

4. Environment Conservation: A Jubilee Insurance (Tanzania) staff plants a tree during a tree planting drive in Mwanza. Jubilee Insurance planted 1,200 trees in partnership with Tanzania Environmental and Conservation Organisation (TECO)

CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)

5. A Helping Heart: Mrs. Catherine Karori, Head of Medical Insurance at Jubilee Insurance, Kenya, (left) presents a cheque to Dr. Sr. Marian Dolan the Medical Director, Mater Hospital. Jubilee is a Gold Sponsor of the Mater Heart Run; a charity event that raises money to support medical care for needy children suffering from cardiac ailments.

6. Feted: Jubilee Insurance staff, led by Chief Executive Officer Patrick Tumbo (4th right) and Chief Operating Officer Lydia Kibaara (5th right), celebrate as they receive the Best Claims Settlement Award from Patrick Obath, the Chairman KEPSA at the BIMA awards held at the Carnivore Restaurant. Jubilee was awarded by Kenya's insurance brokers as the insurance company with the most efficient and fastest claims settlement record.

7. Jubilant: Jubilee Holdings Limited Chairman, Mr. Nizar Juma addressing the media after releasing the 2012 Financial Results. Jubilee recorded a pre-tax profit of Kshs 2.69 billion, up by 26% the previous year.

8. Conserving the Environment: Staff from Jubilee Insurance Uganda join the head of Naguru Police Barracks in a tree planting exercise.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF JUBILEE HOLDINGS LIMITED

We have audited the financial statements of Jubilee Holdings Limited set out on pages 26 to 79 which comprise the consolidated and company statements of financial position as at 31 December 2012, consolidated income statement, consolidated statement of comprehensive income, consolidated and company statements of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

As stated on page 19, the Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Kenya, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether 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 our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 financial statements give a true and fair view of the consolidated and separate financial position of Jubilee Holdings Limited at 31 December 2012, and the consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

Report on other legal requirements

As required by the Kenyan Companies Act we report to you, based on our audit, that:

- We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- In our opinion, proper books of account have been kept by the Company, in so far as appears from our examination of those books; and,
- The statement of financial position of the Company is in agreement with the books of account.

KPMG Kenya

Certified Public Accountants

Lonrho House

Standard Street

P. O. Box 40612, 00100

Nairobi, Kenya.

30th April 2013

CONSOLIDATED INCOME STATEMENT

	Note	2012 Kshs '000	2011 Kshs '000
Gross earned premium revenue	6	15,399,514	12,058,816
Less: outward reinsurance	6	6,026,532	4,716,820
Net insurance premium revenue		**9,372,982**	**7,341,996**
Investment and other income	7	3,156,981	2,692,387
Net fair value gains on financial assets at fair-value-through profit & loss	18 & 19	443,547	(329,164)
Commission earned		1,352,848	863,644
Total income		**14,326,358**	**10,568,863**
Claims and policy holders benefits payable	8	12,198,203	8,994,689
Claims recoverable from re-insurers	8	3,642,666	2,880,670
Net insurance benefits and claims		**8,555,537**	**6,114,019**
Operating and other expenses	9	2,203,878	1,804,331
Commission payable		2,020,857	1,580,420
Total expenses and commissions		**4,224,735**	**3,384,751**
Result of operating activities		**1,546,086**	**1,070,093**
Finance costs		(47,937)	(49,937)
Share of result of associates	17 (i)	1,195,154	1,123,735
Group profit before income tax		**2,693,303**	**2,143,891**
Income tax expense	11	408,802	233,501
Profit for the year		**2,284,501**	**1,910,390**
Attributable to:			
Equityholders of the company		2,115,333	1,802,457
Non-controlling interest		169,168	107,933
Total		**2,284,501**	**1,910,390**
Earnings Per Share (Kshs) (2011 restated)			
Basic and diluted	27	35	30

The notes on pages 32 to 79 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2012 Kshs '000	2011 Kshs '000
Profit for the year		**2,284,501**	**1,910,390**
Other comprehensive income			
Fair value gain/(loss) from others		4,466	(24,788)
Change in fair value of financial assets at fair value through other comprehensive income	18 & 19	250,096	(258,600)
Net translation loss		(246,105)	(215,514)
Total other comprehensive income for the year		**8,457**	**(498,902)**
Total comprehensive income for the year		**2,292,958**	**1,411,488**
Attributable to:			
Equity holders of the company		2,170,837	1,317,376
Non-controlling interest		122,121	94,112
Total comprehensive income for the year		**2,292,958**	**1,411,488**

The notes on pages 32 to 79 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER 2012

	Note	2012 Kshs '000	2011 Kshs '000
CAPITAL AND RESERVES			
Share capital	12	299,475	272,250
Fair value reserves	13 (a)	(329,005)	(553,376)
General reserves	13 (b)	70,000	70,000
Translation reserves	13 (c)	(411,491)	(214,053)
Contingency reserves	13 (d)	551,207	472,125
Retained earnings		7,480,077	5,861,745
Proposed dividends	14	359,370	245,025
Equity attributable to owners of the company		**8,019,633**	**6,153,716**
Non-controlling interest		680,056	557,935
Total equity		**8,699,689**	**6,711,651**
ASSETS			
Property and equipment	15	134,517	91,921
Investment properties	16	3,752,785	3,587,623
Investment in associates	17 (i)	6,128,566	5,078,237
- Quoted shares at fair value through profit & loss	18	4,409,470	3,739,567
- Quoted shares at fair value through other comprehensive income	18	892,407	871,119
- Unquoted shares through other comprehensive income	19	1,615,346	1,961,000
Mortgage loans	20 (i)	22,316	11,988
Loans on life insurance policies	20 (ii)	398,836	290,775
Government securities at armortised cost	21	13,108,583	10,264,017
Deposits with financial institutions	26	5,540,923	2,639,679
Commercial bonds		1,010,039	1,113,410
Receivables arising out of direct insurance arrangements	4	1,918,436	1,647,111
Receivables arising out of reinsurance arrangements	4	1,995,710	1,256,666
Reinsurers' share of insurance contract liabilities	22	4,590,189	3,724,831
Deferred acquisition costs	23	143,002	176,230
Other receivables	24	850,623	482,134
Deferred income tax	25	96,643	22,569
Current income tax		11,288	58,869
Cash and bank balances	26	797,883	1,022,086
Total assets		**47,417,562**	**38,039,832**
REPRESENTED BY:			
LIABILITIES			
Insurance contract liabilities	28	12,187,603	10,493,015
Payable under deposit administration contracts	29	16,485,196	12,408,082
Unearned premium reserve	30	5,338,620	4,681,437
Creditors arising out of direct insurance arrangements		38,950	241,162
Creditors arising out of reinsurance arrangements		1,647,628	1,047,287
Trade and other payables	31	1,123,366	894,297
Deferred income tax	25	129,634	90,652
Dividends payable		150,646	133,975
Bank overdraft	32	320,524	92,765
Borrowings	32	1,295,706	1,245,509
Total liabilities		**38,717,873**	**31,328,181**
Net assets		**8,699,689**	**6,711,651**

The financial statements on pages 26 to 79 were approved by the Board of Directors on 30th April 2013 and signed on its behalf by:

Nizar N Juma
Chairman

Sultan K Khimji
Director

The notes on pages 32 to 79 are an integral part of these consolidated financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2012

	Note	2012 Kshs '000	2011 Kshs '000
CAPITAL AND RESERVES			
Share capital	12	299,475	272,250
Fair value reserves	13 (a)	(731)	(879)
General reserves	13 (b)	70,000	70,000
Retained earnings		2,346,446	1,992,883
Proposed dividends	14	359,370	245,025
Total equity		**3,074,560**	**2,579,279**
ASSETS			
Investment in associates	17 (i)	1,853,657	1,377,415
Investment in subsidiaries	17 (ii)	1,712,029	1,762,527
Quoted shares at fair value through other comprehensive income	18	17,073	18,270
Unquoted shares at fair value through other comprehensive income	19	12,007	9,337
Deposits with financial institutions	26	1,776	1,707
Due from related parties	34	161,050	167,875
Other receivables	24	1,737	102
Deferred income tax	25	13,416	-
Current income tax		10,145	11,687
Cash and bank balances	26	20,370	999
Total assets		**3,803,260**	**3,349,919**
REPRESENTED BY:			
LIABILITIES			
Deferred income tax	25	12,237	12,237
Trade and other payables	31	11,496	2,945
Due to related parties	34	554,321	621,483
Dividends payable		150,646	133,975
Total liabilities		**728,700**	**770,640**
Net assets		**3,074,560**	**2,579,279**

The financial statements on pages 26 to 79 were approved by the Board of Directors on 30th April 2013 and signed on its behalf by:

Nizar N Juma
Chairman

Sultan K Khimji
Director

The notes on pages 32 to 79 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share Capital Kshs '000	Fair Value Reserves Kshs '000	General Reserves Kshs '000	Translation Reserves Kshs '000	Contingency Reserves Kshs '000	Retained Earnings Kshs '000	Proposed Dividends Kshs '000	Equity Attributable to Owners Kshs '000	Non-Controlling Interest Kshs '000	Total Equity Kshs '000
Year ended 31 December 2011											
At start of year		247,500	(257,656)	70,000	(14,942)	414,404	4,431,484	222,750	5,113,540	463,823	5,577,363
Profit for the year		-	-	-	-	-	**1,802,457**	-	**1,802,457**	**107,933**	**1,910,390**
Other comprehensive income											
Fair value loss from others		-	(24,788)	-	-	-	-	-	(24,788)	-	(24,788)
Change in fair value of financial assets through OCI	13 (a)	-	(261,182)	-	-	-	-	-	(261,182)	2,582	(258,600)
Transfer to retained earnings on disposal	13 (a)	-	(9,750)	-	-	-	9,750	-	-	-	-
Net translation loss	13(c)	-	-	-	(199,111)	-	-	-	(199,111)	(16,403)	(215,514)
Transfer to contingency reserves	13 (d)	-	-	-	-	57,721	(57,721)	-	-	-	-
Total comprehensive income for the year		-	**(295,720)**	-	**(199,111)**	**57,721**	**1,754,486**	-	**1,317,376**	**94,112**	**1,411,488**
Transactions with owners:											
Bonus shares issued	12	24,750	-	-	-	-	(24,750)	-	-	-	-
Dividends: Final for 2010 paid	14	-	-	-	-	-	-	(222,750)	(222,750)	-	(222,750)
Interim for 2011 paid	14	-	-	-	-	-	(54,450)	-	(54,450)	-	(54,450)
Final for 2011 proposed	14	-	-	-	-	-	(245,025)	245,025	-	-	-
Total transactions with owners		**24,750**	-	-	-	-	**(324,225)**	**22,275**	**(277,200)**	-	**(277,200)**
At end of year		**272,250**	**(553,376)**	**70,000**	**(214,053)**	**472,125**	**5,861,745**	**245,025**	**6,153,716**	**557,935**	**6,711,651**
Year ended 31 December 2012											
At start of year		272,250	(553,376)	70,000	(214,053)	472,125	5,861,745	245,025	6,153,716	557,935	6,711,651
Profit for the year		-	-	-	-	-	**2,115,333**	-	**2,115,333**	**169,168**	**2,284,501**
Other comprehensive income											
Fair value gain from others		-	2,278	-	-	-	-	-	2,278	2,188	4,466
Change in fair value of financial assets through OCI	13 (a)	-	250,664	-	-	-	-	-	250,664	(568)	250,096
Transfer to retained earnings on disposal	13 (a)	-	(28,571)	-	-	-	28,571	-	-	-	-
Net translation loss	13(c)	-	-	-	(197,438)	-	-	-	(197,438)	(48,667)	(246,105)
Transfer to contingency reserves	13 (d)	-	-	-	-	79,082	(79,082)	-	-	-	-
Total comprehensive income for the year		-	**224,371**	-	**(197,438)**	**79,082**	**2,064,822**	-	**2,170,837**	**122,121**	**2,292,958**
Transactions with owners:											
Bonus shares issued	12	27,225	-	-	-	-	(27,225)	-	-	-	-
Dividends: Final for 2011 paid	14	-	-	-	-	-	-	(245,025)	(245,025)	-	(245,025)
Interim for 2012 paid	14	-	-	-	-	-	(59,895)	-	(59,895)	-	(59,895)
Final for 2012 proposed	14	-	-	-	-	-	(359,370)	359,370	-	-	-
Total transactions with owners		**27,225**	-	-	-	-	**(446,490)**	**114,345**	**(304,920)**	-	(304,920)
At end of year		**299,475**	**(329,005)**	**70,000**	**(411,491)**	**551,207**	**7,480,077**	**359,370**	**8,019,633**	**680,056**	**8,699,689**

The notes on pages 32 to 79 are an integral part of these consolidated financial statements

COMPANY STATEMENT OF CHANGES IN EQUITY

	Note	Share Capital Kshs '000	Fair Value Reserves Kshs '000	General Reserves Kshs '000	Retained Earnings Kshs '000	Proposed Dividends Kshs '000	Total Equity Kshs '000
Year ended 31 December 2011							
At start of year		247,500	(6,077)	70,000	1,673,245	222,750	**2,207,418**
Profit for the year		**-**	**-**	**-**	**643,863**	**-**	**643,863**
Other comprehensive Income							
Change in fair value of financial assets through other comprehensive income	18 & 19	-	5,198	-	-	-	5,198
Total comprehensive income for the year		**-**	**5,198**	**-**	**643,863**	**-**	**649,061**
Transactions with owners:							
Bonus shares issued	12	24,750	-	-	(24,750)	-	-
Dividends: Final for 2010 paid	14	-	-	-	-	(222,750)	(222,750)
Interim for 2011 paid	14	-	-	-	(54,450)	-	(54,450)
Final for 2011 proposed	14	-	-	-	(245,025)	245,025	-
Total transactions with owners		**24,750**	**-**	**-**	**(324,225)**	**22,275**	**(277,200)**
At end of year		**272,250**	**(879)**	**70,000**	**1,992,883**	**245,025**	**2,579,279**
Year ended 31 December 2012							
At start of year		272,250	(879)	70,000	1,992,883	245,025	2,579,279
Profit for the year		**-**	**-**	**-**	**800,053**	**-**	**800,053**
Other comprehensive Income							
Change in fair value of financial assets through other comprehensive income	18 & 19	-	148	-	-	-	148
Total comprehensive income for the year		**-**	**148**	**-**	**800,053**	**-**	**800,201**
Transactions with owners:							
Bonus shares issued	12	27,225	-	-	(27,225)	-	-
Dividends: Final for 2011 paid	14	-	-	-	-	(245,025)	(245,025)
Interim for 2012 paid	14	-	-	-	(59,895)	-	(59,895)
Final for 2012 proposed	14	-	-	-	(359,370)	359,370	-
Total transactions with owners		**27,225**	**-**	**-**	**(446,490)**	**114,345**	**(304,920)**
At end of year		**299,475**	**(731)**	**70,000**	**2,346,446**	**359,370**	**3,074,560**

The notes on pages 32 to 79 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2012 Kshs '000	2011 Kshs '000
Cash flow from operating activities			
Profit before income tax		2,693,303	2,143,891
Adjustments for: -			
Depreciation	15	54,792	36,184
Fair value (gains)/losses on equity investments at fair value through profit and loss	18 & 19	(443,547)	329,164
Investment income	7	(3,156,981)	(2,692,387)
Share of result of associates after income tax	17 (i)	(1,195,154)	(1,123,735)
Operating profit before changes to receivables and payables		**(2,047,587)**	**(1,306,883)**
Net inflows from deposit administration contracts	29	4,077,114	2,007,224
Change in insurance contract liabilities and reserves		2,351,771	3,900,350
Change in premium, reinsurance and other receivables		(2,073,659)	(2,024,659)
Change in reinsurance and other payables		509,561	299,745
Cash generated from operations		**2,817,200**	**2,875,777**
Income tax paid		(396,310)	(331,607)
Net cash inflow from operating activities		**2,420,890**	**2,544,170**
Cash flow from investing activities			
Rent, interest and dividend received		3,001,260	1,921,996
Dividends received from associates	17 (i)	153,568	171,671
Proceeds from sale of quoted shares		678,126	382,738
Proceeds from disposal of property and equipment		1,096	7,452
Purchase of property and equipment	15	(99,432)	(67,386)
Net additions of investment properties	16	-	(28,333)
Purchase of quoted shares	18	(254,995)	(752,105)
Net purchase of unquoted shares	19	(10,046)	(20,552)
Additional investment in associate	17 (i)	(76,576)	-
Net mortgage loans advanced/redeemed	20 (i)	(12,995)	35,019
Net loans on life insurance policies advanced	20 (ii)	(108,061)	(66,202)
Net increase of government securities		(2,844,566)	(3,919,999)
Net proceeds/(purchase) of commercial bonds		103,371	(2,030)
Net cash inflow/(outflow) from investing activities		**530,750**	**(2,337,731)**
Cash flow from financing activities			
Dividends paid		(304,920)	(277,200)
Net cash outflow from financing activities		**(304,920)**	**(277,200)**
Increase/(decrease) in cash and cash equivalents		2,646,720	(70,761)
Cash and cash equivalents at start of year	26	3,569,000	3,838,872
Exchange loss on translation of cash and cash equivalents in foreign currencies	13(c)	(197,438)	(199,111)
Cash and cash equivalents at end of year	**26**	**6,018,282**	**3,569,000**

The notes on pages 32 to 79 are an integral part of these consolidated financial statements

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 Securities Exchange and is cross-listed on the Uganda Securities Exchange and Dar es Salaam Stock Exchange.

The Company through its subsidiaries and associates (together forming the Group) underwrites Life and non-life insurance risks, such as those associated with death, disability, health, property and liability. The Group also issues a diversified portfolio of investment contracts to provide its customers with asset management solutions for their savings and retirement needs. All these products are offered to both domestic and foreign markets. It has operations in Kenya, Uganda, Tanzania, Burundi and Mauritius and employs over 600 (2011:500) 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, analyzed into several sub-classes of business based on the nature of the assumed risks.

With a view to diversifying the Group's income base, operational activities have been extended to include fund management, property development and management, power generation and international fibre optic broadband cable connectivity.
For purposes of the Kenya Companies Act reporting purposes, the balance sheet is represented by statement of financial position while the profit and loss account is represented by the income statement.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below and apply to the Group and the Company. 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) and the manner required by the Kenyan Companies Act. 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 (Kshs), rounded to the nearest thousand.

Future amendments not early adopted in the 2012 annual financial statements

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2012, and have not been applied in preparing these financial statements. These are summarized below:

Disclosures – Offsetting of financial assets and financial liabilities (amendments to IFRS 7) introduces disclosures about the impact of netting arrangements on an entity's financial position. The amendments are effective for annual periods beginning on or after 1 January 2013 and interim period within those annual periods.

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to the financial liabilities. The International Accounting Standards Board (IASB) currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and new requirements to address the impairment of financial assets and hedge accounting.

IFRS 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted.

IAS 1 Presentation of Items of Other Comprehensive Income (effective from 1 July 2012) - this amendment requires that an entity present separately the items of other comprehensive income (OCI) that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss; and change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles.

2.1. Basis of preparation (continued)

IAS 1 will be adopted for the first time for the year ending 31 December 2013. There is no significant impact on the financial statements as this amendment will only require additional disclosure.

IFRS 10 Consolidated Financial Statements (effective from 1 January 2013) - this standard introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when it is exposed or has rights to variable returns from its involvement with that investee, it has the ability to affect those returns through its power over that investee and there is a link between power and returns. Control is reassessed as facts and circumstances change. IFRS 10 supersedes IAS 27 (2008) and SIC-12 Consolidation—Special Purpose Entities.

IFRS 10 will be adopted for the first time for the year ending 31 December 2013. The impact on the financial statements has not yet been estimated.

IFRS 11 Joint Arrangements (effective from 1 January 2013) - this standard focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It distinguishes joint arrangements between joint operations and joint ventures, and always requires the equity method for jointly controlled entities that are now called joint ventures. IFRS 11 supersedes IAS 31 and SIC-13 Jointly Controlled Entities-Non-Monetary Contributions by Venturers.
IFRS 11 will be adopted for the first time for the year ending 31 December 2013. The impact on the financial statements has not yet been estimated.

IFRS 12 Disclosure of Interests in Other Entities (effective from 1 January 2013) - this standard combines, in a single standard, the disclosure requirements for subsidiaries, associates and joint arrangements, as well as unconsolidated structured entities. The required disclosures aim to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows.

The adoption of the new standard will increase the level of disclosure provided for the entity's interests in subsidiaries, joint arrangements, associates and structured entities. This standard may impact the disclosure to be provided by the Company, but will have to be assessed based on IFRS 10 and IFRS 11 conclusions.

IFRS 13 Fair value Measurement (effective 13 January 2013) - this standard introduces a single source of guidance on fair value measurement for both financial and non-financial assets and liabilities by defining fair value as an exit price, establishing a framework for measuring fair value and setting out disclosures requirements for fair value measurements.
IFRS 13 will be adopted for the first time for the year ending 31 December 2013. The impact on the financial statements has not yet been estimated.

IAS 19 Employee Benefits (effective 1 January 2013) - the amendment requires that actuarial gains and losses are recognized immediately in OCI. This change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19. Furthermore, the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation.
IAS 19 will be adopted for the first time for the year ending 31 December 2013 and will be applied retrospectively. The impact on the financial statements has not yet been estimated.

IAS 27 Separate Financial Statements (2011) supersedes IAS 27 (2008) and is effective for year-ends commencing on or after 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

IAS 28 Investments in Associates and Joint Ventures (2011) supersedes IAS 28 (2008) and is effective for year-ends commencing on or after 1 January 2013. IAS 28 (2011) makes the following amendments: (i) IFRS 5 applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and (ii) on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not remeasure the retained interest.

The directors have assessed the relevance of these amendments and interpretations with respect to the company's operations and have concluded that they are unlikely to have a significant impact to the company.

2.2. Consolidation

a) Subsidiaries

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

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value over any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized 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.
Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

b) Investment in Associates

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

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution of gains and losses arising from investment in associates are recognised in the income statement.

c) Functional currency and translation of foreign currencies

(i) Functional and presentation currency

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

2.2. Consolidation (continued)

(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 recognized in the income statement.
Translation differences on other non-monetary financial assets are recognized in the statement of other comprehensive income.

(iii) Consolidation of group entities

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

- Assets and liabilities for each statement of financial presented are translated at the closing rate at the reporting date
- Income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component in other comprehensive.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity (translation reserve). When a foreign operation is sold, such exchange differences are recognized in the income statement as part of the gain or loss on sale.
Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.3 Segment information

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group Chief Strategy and Administration Officer, to make decisions about resources allocated to each segment and assess its performance, and for which discrete information is available.

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 Jubilee Holdings Limited Board of Directors. The group results are analyzed across 9 operating segments based on a combination of geographical areas and products and services. There are five geographical segments: Kenya, Uganda, Tanzania, Burundi and Mauritius within which there are three segments classified according to products and services: General including Medical, Ordinary, Group Life & Pensions and Investments. This is consistent with the way the Group manages the business.

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

Medical: Medical insurance means the business of affecting and carrying out contracts of insurance against costs of otherwise non-recoverable medical and surgical expenses necessarily and reasonably incurred by a member as a direct result of sustaining accidental bodily injury and/or illness and/or disease within the period of insurance subject to the policy provisions/ terms, exclusions and conditions.
Medical and general have been aggregated as the Group does not hold the assets and liabilities separately.

2.3 Segment information (continued)

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 contracts

a) Classification

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

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. See accounting policy for these contracts under 2.5. Insurance contracts and investment contracts are classified into two main categories, depending on the duration of risk and as per the provisions of the Insurance Act.

(i) Long-term insurance business

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

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

(ii General insurance business

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2.4 Insurance contracts (continued)

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

Personal Accident insurance business means the business of affecting and carrying out contracts of insurance against risks of the persons insured sustaining injury as the result of an accident or of an accident of a specified class or 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 recognized as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission.

For general insurance business, Premium income is recognized 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 reporting 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 recognized 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 recognized. 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 recognized as income in line with the decrease of unexpired insurance risk of the contracts in-force or, for annuities in force, in line with the decrease of the amount of future benefits expected to be paid. The liabilities are recalculated at each reporting date using the assumptions established at inception of the contracts.

2.4 Insurance contracts (continued)

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

(iv) Liability adequacy test

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

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

(v) Reinsurance contracts held

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

The benefits to which the Group is entitled under its reinsurance contracts held are recognized 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 recognized 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 recognizes 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 amortized 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 recognized 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 recognizes 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.

2.4 Insurance contracts (continued)

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

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

2.6 Revenue recognition

(i)Insurance premium revenue

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

(ii) Non interest income from financial investments

The revenue recognition policy for non interest income from financial investments is disclosed in note 2.10

(iii) Interest income and expenses

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

(iv) Dividend income

Dividend income for available-for-sale equities is recognized 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.

2.6 Revenue recognition (continued)

(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 and impairment losses. 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 recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.
An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.
Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are included in the profit and loss account.

2.8 Investment property

Buildings, or part of a building, (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation are classified as investment property. Investment property is measured at cost on initial recognition. 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 income statement. The cost of investment property under development is carried under other assets and is transferred to investment property on commissioning.

2.9 Intangible assets

(i) Goodwill

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each country of operation by each reporting segment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2.9 Intangible assets (continued)

(ii) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (three to five years). Costs associated with developing or maintaining computer software programs are recognized 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 recognized as intangible assets. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads. Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding three years).

2.10 Financial assets and liabilities

All financial assets are recognized and derecognized 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 recognized financial assets are subsequently measured in their entirety at either amortized 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 amortized cost and the effective interest method

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

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

The effective interest method is a method of calculating the amortized 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 amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.

2.10 Financial assets and liabilities (continued)

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

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

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

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized 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 recognized in the income statement when the Group's right to receive the dividends is established in accordance with IAS 18 Revenue, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends earned are recognized in the income statement and are included in the 'investment income' line item.

(iv) Financial assets at FVTPL

Debt instrument financial assets that do not meet the amortized 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 amortized cost if the objective of the business model changes so that the amortized cost criteria starts to be met and the instrument's contractual cash flows meet the amortized 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 derecognizes 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 recognizes 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 recognize 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 amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The effective interest method is a method of calculating the amortized 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.

2.10 Financial assets and liabilities (continued)

(ix) De-recognition

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

(x) Impairment of financial assets

a) Financial assets carried at amortized cost

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

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including:
  - adverse changes in the payment status of issuers or debtors in the Group; or
  - National or local economic conditions that correlate with defaults on the assets in the Group.

The Group assesses whether objective evidence of impairment exists individually for financial assets. If there is objective evidence that an impairment loss has been incurred on investments carried at amortized 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 recognized directly through the income statement.

b) 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.

c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

d) Renegotiated loans

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

2.11 Hedge accounting

The Group designates certain instruments as either: (i) hedges of the fair value of recognized 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).

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 36.

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 recognized in equity. The gain or loss relating to any ineffective portion is recognized immediately in the income statement within 'net fair value gains on financial assets at fair value through profit or loss. Gains and losses accumulated in equity are included in the income statement on disposal of the foreign operation.

2.12 Accounting for leases

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

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

2.13 Cash and cash equivalents

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

2.14 Employee benefits

(i) Retirement benefit obligations

The Group operates defined contribution retirement benefit scheme for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.
The assets of all schemes are held in separate trustee administered funds, which are funded by contributions from both the Group and employees. The Group and all its employees also contribute to the appropriate National Social Security Fund, which are defined contribution schemes. The Group's contributions to the defined contribution schemes are charged to the income statement in the year to which they relate.

(ii) Other entitlements

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2.15 Income Tax Expense

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

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

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred income tax 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 recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings.
Borrowings are classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

2.17 Dividends

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

2.18 Share capital

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

2.19 Concession arrangements

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

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, 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.

b) 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.

c) Valuation of investment property

Investment property comprises freehold land and buildings are 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.

3. Critical accounting estimates and judgements in applying accounting policies (continued)

d) Valuation of unquoted shares

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

e) Carrying value of investment in associate

The carrying value of some of the associates companies is dependent on the complex valuation of the underlying operating entities. These valuations apply discounted cash flow techniques which are subject to judgment as to the future cash flows.

4. Management of insurance and financial risk

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

This section summarises the way the Group manages key risks:

(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 10.2% p.a. Were the average future investment returns to decrease by 1% from management's estimates, the insurance liability would increase by Kshs 280 million while significant enough deterioration in estimates is immediately recognized 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.

4. Management of insurance and financial risk (continued)

Year ended 31st December, 2012		Maximum insured loss				
Class of business		Range 01	Range 02	Range 03	Range 04	Total
General Insurance business		Kshs 0 m - Kshs 15m	Kshs 15m - Kshs 250m	Kshs 250m - Kshs 1000m	Kshs 1000m +	
		Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Motor	Gross	39,333,012	23,728,768	-	-	63,061,780
	Net	26,288,390	23,060,874	-	-	49,349,264
Fire	Gross	89,513,866	185,746,321	149,129,070	237,946,361	662,335,618
	Net	3,680,223	17,296,233	17,877,697	41,044,987	79,899,140
Personal accident	Gross	92,008,305	106,359,598	83,839,980	55,747,231	337,955,114
	Net	24,700,895	47,885,174	34,986,969	29,962,292	137,535,330
Other	Gross	117,421,729	137,164,098	71,822,826	351,074,454	677,483,107
	Net	27,455,376	40,088,735	31,323,723	177,825,652	276,693,486
Life assurance business						
Ordinary life	Gross	10,698,147	283,430	-	-	10,981,577
	Net	9,306,725	15,785	-	-	9,322,510
Group life	Gross	127,712,084	11,918,335	-	-	139,630,419
	Net	49,486,197	663,750	-	-	50,149,947
Total	**Gross**	**476,687,143**	**465,200,550**	**304,791,876**	**644,768,046**	**1,891,447,615**
	Net	**140,917,806**	**129,010,551**	**84,188,389**	**248,832,931**	**602,949,677**

Year ended 31st December, 2011		Maximum insured loss				
Class of business						
General Insurance business		Kshs 0 m - Kshs 15m	Kshs 15m - Kshs 250m	Kshs 250m - Kshs 1000m	Kshs 1000m +	Total
		Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Motor	Gross	36,297,087	16,848,951	-	-	53,146,038
	Net	23,252,465	16,181,057	-	-	39,433,522
Fire	Gross	88,377,089	179,974,382	145,076,682	212,172,154	625,600,307
	Net	6,368,663	24,416,384	11,757,665	28,910,315	71,453,027
Personal accident	Gross	79,223,990	141,906,520	95,331,111	131,032,935	447,494,556
	Net	43,625,948	57,636,084	32,229,532	64,921,764	198,413,328
Other	Gross	85,098,504	89,115,212	27,182,432	181,792,272	383,188,420
	Net	9,184,015	4,068,671	3,952,239	107,158,260	124,363,185
Life assurance business						
Ordinary life	Gross	10,632,063	237,830	-	-	10,869,893
	Net	9,786,462	120,022	-	-	9,906,484
Group life	Gross	103,435,613	17,433,509	393,052	-	121,262,174
	Net	28,387,500	1,660,500	1,500	-	30,049,500
Total	**Gross**	**403,064,346**	**445,516,404**	**267,983,277**	**524,997,361**	**1,641,561,388**
	Net	**120,605,053**	**104,082,718**	**47,940,936**	**200,990,339**	**473,619,046**

(ii) Financial risk

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

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.

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.

(a) Market risk

(i) Foreign exchange risk

The Group operates regionally 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, recognized assets and liabilities and net investments in foreign operations.

The Group manages foreign exchange risk arising from future commercial transactions and recognized assets and liabilities using forward contracts, but has not designated any derivative instruments as hedging instruments. Currency exposure arising from the net assets of foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.
The Group had the following significant foreign currency positions (all amounts expressed in Kenya Shillings thousands)

Exchange Risk	Kenya US Dollar	Uganda Shillings	Tanzania Shillings	Mauritius Rupees	Burundi Francs	Total
As at 31st December 2012	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
ASSETS						
Receivables arising out of reinsurance arrangements	-	112,985	415,140	226,772	69,679	824,576
Deferred acquisition costs	-	18,007	3,875	64,094	14,739	100,715
Deposit with financial institutions	57,596	-	144,101	22,632	103,492	327,821
Cash and bank balances	-	1,867	19,383	124,141	22,150	167,541
Total assets	**57,596**	**132,859**	**582,499**	**437,639**	**210,060**	**1,420,653**
LIABILITIES						
Provision for unearned premium	-	91,222	214,751	526,104	117,931	950,008
Insurance contract liabilities	-	115,015	152,684	196,781	78,549	543,029
Creditors arising out of reinsurance arrangements	-	8,033	7,374	149,517	80,758	245,682
Total liabilities	**-**	**214,270**	**374,809**	**872,402**	**277,238**	**1,738,719**
Net Balance sheet position	**57,596**	**(81,411)**	**207,690**	**(434,763)**	**(67,178)**	**(318,066)**

	Kenya US Dollar	Uganda Shillings	Tanzania Shillings	Mauritius Rupees	Burundi Francs	Total
As at 31st December 2011	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
ASSETS						
Receivables arising out of reinsurance arrangements	126,984	183,810	279,454	-	38,367	628,615
Deferred acquisition costs	-	15,666	4,341	30,085	8,479	58,571
Deposit with financial institutions	322,770	-	309,879	-	-	632,649
Cash and bank balances	31,942	78	45,212	-	57,520	134,752
Total assets	**481,696**	**199,554**	**638,886**	**30,085**	**104,366**	**1,454,587**
LIABILITIES						
Provision for unearned premium	70,166	93,915	233,619	87,078	29,485	514,263
Insurance contract liabilities	28,216	103,407	211,911	47,904	12,013	403,451
Creditors arising out of reinsurance arrangements	13,958	29,972	187,807	52,091	-	283,828
Total liabilities	**112,340**	**227,294**	**633,337**	**187,073**	**41,498**	**1,201,542**
Net Balance sheet position	**369,356**	**(27,740)**	**5,549**	**(156,988)**	**62,868**	**253,045**

At 31st December, 2012, 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 (2011: negligible), mainly as a result of US dollar receivables and bank balances.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Management of insurance and financial risk (continued)

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

Group

At 31st December, 2012, if the NSE, USE and DSE 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, the post-tax profit would have been Kshs 0.4m lower/higher and equity would have been Kshs 416.2m higher/lower.

Company

At 31st December, 2012, the Company did not hold any shares in the Nairobi Securities Exchange. If the USE and DSE indices had increased/decreased by 20% with all other variables held constant, all the companies' equity instruments moved according to the historical correlation to the index, then equity movement would have been negligible.

(b) 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 corporate bonds.

The Group's variable interest rate financial instruments are some of the quoted corporate bonds – Barclays Bank Medium Term Loan.
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 Kshs 55 million (2011: Kshs 81 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 amortized cost and their carrying amounts are not sensitive to changes in the level of interest rates.

At 31 December 2012, if interest rates on quoted corporate bonds at that date had been 5% (2011:5%) higher/lower with all other variables held constant, post-tax profit for the year would have been Ksh 0.1m (2011: 0.3 million) higher/lower, mainly as a result of higher/lower interest income on floating rate quoted corporate bonds.

(c) 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 finalization of any contract.

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

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

4. Management of insurance and financial risk (continued)

The amount that best represents the Group's and Company's maximum exposure to credit risk at 31st December, 2012 is made up as follows:

	Group		Company	
Maximum exposure to credit risk before collateral held	**2012**	**2011**	**2012**	**2011**
	Kshs '000	**Kshs '000**	**Kshs '000**	**Kshs '000**
Receivables arising out of reinsurance arrangements	1,995,710	1,256,666	-	-
Receivables arising out of direct insurance arrangements	1,918,436	1,647,111	-	-
Reinsurers' share of insurance liabilities	4,590,189	3,724,831	-	-
Government securities at armortised cost	13,108,583	10,264,017	-	-
Commercial bond	1,010,039	1,113,410	-	-
Cash and bank balances	797,883	1,022,086	20,370	999
Loans on life insurance policies	398,836	290,775	-	-
Mortgage loans	22,316	11,988	-	-
Deposits with financial institutions	5,540,923	2,639,679	1,776	1,707
Other receivables	850,623	482,134	1,737	102
Totals	**30,233,538**	**22,452,697**	**23,883**	**2,808**

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 summarized as follows:

	Group	
	2012	**2011**
Direct Insurance	**Kshs '000**	**Kshs '000**
Neither past due nor impaired	582,073	721,438
Past due but not impaired	1,133,802	841,383
Impaired	488,682	298,383
Gross	**2,204,557**	**1,861,204**
Less: allowance for impairment	(286,121)	(214,093)
Net	**1,918,436**	**1,647,111**
Re-insurance		
Neither past due nor impaired	490,969	10,686
Past due but not impaired	814,231	753,276
Impaired	699,686	503,329
Gross	**2,004,886**	**1,267,291**
Less: allowance for impairment	(9,176)	(10,625)
Net	**1,995,710**	**1,256,666**

4. Management of insurance and financial risk (continued)

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

	Group	
	2012	2011
Past due but not impaired:	Kshs '000	Kshs '000
- by up to 30 days	283,199	284,424
- by 31 to 60 days	333,623	226,408
- by 61 to 150 days	332,076	236,759
- by 151 to 360 days	184,904	93,792
Total past due but not impaired	**1,133,802**	**841,383**

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	
	2012	2011
Individually assessed impaired receivables	Kshs '000	Kshs '000
- brokers	424,246	172,846
- agents	9,002	45,926
- insurance companies	4,686	19,717
- direct clients	50,748	59,894
Total	**488,682**	**298,383**

(d) Liquidity risk

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

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

The table below summarises the maturity analysis for financial liabilities to their remaining maturing contractual maturities. The amounts disclosed are the contractual undiscounted cash flows.

Year ended 31st December 2012	Less than 1 month	Between 1 - 3 months	Between 3 - 12 months	Over 1 Year	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Trade and other payables	157,405	15,907	578,710	371,344	1,123,366
Borrowings - bank	-	-	-	1,295,706	1,295,706
Totals	**157,405**	**15,907**	**578,710**	**1,667,050**	**2,419,072**
Year ended 31st December 2011	Less than 1 month	Between 1 - 3 months	Between 3 - 12 months	Over 1 Year	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Trade and other payables	155,277	4,571	597,285	137,164	894,297
Borrowings - bank	-	-	-	1,245,509	1,245,509
Totals	**155,277**	**4,571**	**597,285**	**1,382,673**	**2,139,806**

4. Management of insurance and financial risk (continued)

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting 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 maximize 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 31 December 2012.

	Unquoted shares at fair value through profit or loss	Unquoted shares at fair value through profit or loss
	2012	2011
	Kshs '000	Kshs '000
Opening balance	1,961,000	1,052,957
Additions	10,046	20,552
Gains and losses recognised in other comprehensive income	1,346	3,256
Gains and losses recognised in profit or loss	(357,418)	892,173
Exchange variation	372	(7,938)
Closing balance (Note 19)	**1,615,346**	**1,961,000**
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period (Note 19)	(357,418)	892,173

4. Management of insurance and financial risk (continued)

(e) Capital risk management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the statement of financial position, are to:

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

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

	2012					
	Kenya	Uganda	Tanzania	Burundi	Mauritius	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Regulatory capital held	700,000	92,132	127,690	30,574	85,701	1,036,097
Minimum regulatory capital	450,000	75,169	108,553	19,380	75,000	728,102

	2011					
	Kenya	Uganda	Tanzania	Burundi	Mauritius	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Regulatory capital held	700,000	92,132	127,690	19,380	85,701	1,024,903
Minimum regulatory capital	450,000	75,169	55,042	19,380	75,000	674,591

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 Kshs 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 Kshs 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.

5. Segment information

Operating segments

Operating Segment results for the year ended 31 December 2012	Kshs '000			
	General	Ordinary, Group Life & Pensions	Investments	Total
Gross earned premium revenue	13,144,648	2,254,866	-	15,399,514
Less: outward reinsurance	5,665,160	361,372	-	6,026,532
Net insurance premium revenue	**7,479,488**	**1,893,494**	**-**	**9,372,982**
Investment and other income	782,657	2,101,475	272,849	3,156,981
Net fair value gains on financial assets at fair-value-through profit & loss	(13,300)	456,847	-	443,547
Commission earned	1,333,864	1,750	17,234	1,352,848
Total income	**9,582,709**	**4,453,566**	**290,083**	**14,326,358**
Claims and policy holders benefits payable	8,564,413	3,633,790	-	12,198,203
Claims recoverable from re-insurers	3,426,962	215,704	-	3,642,666
Net insurance benefits and claims	**5,137,451**	**3,418,086**	**-**	**8,555,537**
Operating and other expenses	1,495,940	571,440	136,498	2,203,878
Commission payable	1,567,999	452,858	-	2,020,857
Total expenses and commissions	**3,063,939**	**1,024,298**	**136,498**	**4,224,735**
Result of operating activities	**1,381,319**	**11,182**	**153,585**	**1,546,086**
Finance costs	-	-	(47,937)	(47,937)
Share of result of associates	157,921	163,394	873,839	1,195,154
Group profit before income tax	**1,539,240**	**174,576**	**979,487**	**2,693,303**
Income tax expense	317,551	49,049	42,202	408,802
Profit for the year	**1,221,689**	**125,527**	**937,285**	**2,284,501**

Operating Segment Results for the year ended 31 December 2011	Kshs '000			
	General	Ordinary, Group Life & Pensions	Investments	Total
Gross earned premium revenue	10,186,021	1,872,795	-	12,058,816
Less: outward reinsurance	4,460,421	256,399	-	4,716,820
Net insurance premium revenue	**5,725,600**	**1,616,396**	**-**	**7,341,996**
Investment and other income	634,627	1,919,742	138,018	2,692,387
Net fair value gains on financial assets at fair-value-through profit & loss	12,431	(341,595)	-	(329,164)
Commission earned	857,898	5,746	-	863,644
Total income	**7,230,556**	**3,200,289**	**138,018**	**10,568,863**
Claims and policy holders benefits payable	6,310,810	2,683,879	-	8,994,689
Claims recoverable from re-insurers	2,630,469	250,201	-	2,880,670
Net insurance benefits and claims	**3,680,341**	**2,433,678**	**-**	**6,114,019**
Operating and other expenses	1,216,808	474,520	113,003	1,804,331
Commission payable	1,175,280	405,140	-	1,580,420
Total expenses and commissions	**2,392,088**	**879,660**	**113,003**	**3,384,751**
Result of operating activities	**1,158,127**	**(113,049)**	**25,015**	**1,070,093**
Finance costs	-	-	(49,937)	(49,937)
Share of result of associates	182,456	127,070	814,209	1,123,735
Group profit before income tax	**1,340,583**	**14,021**	**789,287**	**2,143,891**
Income tax expense	345,366	(6,462)	(105,403)	233,501
Profit for the year	**995,217**	**20,483**	**894,690**	**1,910,390**

5. Segment information (continued)

Segment assets and liabilities as at 31 December 2012

	Kshs '000			
	General	**Ordinary, Group Life & Pensions**	**Investments**	**Total**
Property and equipment	83,557	48,446	2,514	134,517
Investment properties	97,697	2,668,000	987,088	3,752,785
Investment in associates	871,263	1,305,068	3,952,235	6,128,566
Investment in shares	1,432,482	4,914,660	570,081	6,917,223
Mortgage loans	5,913	16,403	-	22,316
Loans on life insurance policies	-	398,836	-	398,836
Government securities at armortised cost	2,713,665	10,394,918	-	13,108,583
Deposits with financial institutions	2,446,702	3,061,582	32,639	5,540,923
Commercial bonds	351,598	658,441	-	1,010,039
Premium receivables	3,571,707	342,439	-	3,914,146
Reinsurers' share of insurance contract liabilities	4,416,038	174,151	-	4,590,189
Deffered acquisition costs	143,002	-	-	143,002
Other receivables	671,872	156,212	22,539	850,623
Current income tax	6,948	-	4,340	11,288
Deferred income tax	69,614	12,750	14,279	96,643
Cash and bank balances	371,056	365,166	61,661	797,883
Total assets	**17,253,114**	**24,517,072**	**5,647,376**	**47,417,562**
Insurance contract liabilities	5,196,972	6,990,631	-	12,187,603
Provision on unearned premium	5,338,620		-	5,338,620
Payable under deposit administration contracts	-	16,485,196	-	16,485,196
Creditors arising out of direct insurance arrangements	-	38,950	-	38,950
Creditors arising out of reinsurance arrangements	1,559,166	88,462	-	1,647,628
Trade and other payables	544,009	510,475	219,528	1,274,012
Deferred income tax	12,242	64,878	52,514	129,634
Borrowings	-	-	1,295,706	1,295,706
Bank over draft	144,301	176,223	-	320,524
Total liabilities	**12,795,310**	**24,354,815**	**1,567,748**	**38,717,873**
Net assets	**4,457,804**	**162,257**	**4,079,628**	**8,699,689**

Segment assets and liabilities as at 31 December 2011

	Kshs '000			
	General	**Ordinary, Group Life & Pensions**	**Investments**	**Total**
Property and equipment	58,765	28,783	4,373	91,921
Investment properties	95,701	2,570,331	921,591	3,587,623
Investment in associates	742,601	1,202,165	3,133,471	5,078,237
Investment in shares	1,214,492	4,065,081	1,292,113	6,571,686
Mortgage loans	-	11,988	-	11,988
Loans on life insurance policies	-	290,775	-	290,775
Government securities at armortised cost	2,023,394	8,240,623	-	10,264,017
Deposits with financial institutions	1,197,592	1,417,416	24,671	2,639,679
Commercial bonds	434,463	678,947	-	1,113,410
Premium receivables	2,733,794	169,983	-	2,903,777
Reinsurers' share of insurance contract liabilities	3,567,873	156,958	-	3,724,831
Deffered acquisition costs	176,230	-	-	176,230
Other receivables	190,747	283,312	8,075	482,134
Current income tax	-	-	58,869	58,869
Deferred income tax	14,636	7,933	-	22,569
Cash and bank balances	463,616	520,075	38,395	1,022,086
Total assets	**12,913,904**	**19,644,370**	**5,481,558**	**38,039,832**
Insurance contract liabilities	4,099,090	6,393,925	-	10,493,015
Payable under deposit administration contracts	-	12,408,082	-	12,408,082
Provision on unearned premium	4,681,437	-	-	4,681,437
Creditors arising out of direct insurance arrangements	241,162	-	-	241,162
Creditors arising out of reinsurance arrangements	965,487	81,800	-	1,047,287
Trade and other payables	409,041	436,209	183,022	1,028,272
Deferred income tax	12,548	63,508	14,596	90,652
Borrowings	-	-	1,245,509	1,245,509
Bank over draft	84,490	8,275	-	92,765
Total liabilities	**10,493,255**	**19,391,799**	**1,443,127**	**31,328,181**
Net assets	**2,420,649**	**252,571**	**4,038,431**	**6,711,651**

5. Segment Information (continued)

Geographical segments

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

Geographical Segment results	Kshs '000					
for the year ended 31 December 2012	**Kenya**	**Uganda**	**Tanzania**	**Mauritius**	**Burundi**	**Total**
Gross earned premium revenue	9,881,506	2,465,318	2,369,838	464,394	218,458	15,399,514
Less: outward reinsurance	2,500,558	1,580,748	1,443,385	343,403	158,438	6,026,532
Net insurance premium revenue	**7,380,948**	**884,570**	**926,453**	**120,991**	**60,020**	**9,372,982**
Investment and other income	2,467,506	508,935	146,568	7,725	26,247	3,156,981
Net fair value gains on financial assets at fair-value-through profit & loss	443,547	-	-	-	-	443,547
Commission earned	554,890	296,597	359,898	107,503	33,960	1,352,848
Total income	**10,846,891**	**1,690,102**	**1,432,919**	**236,219**	**120,227**	**14,326,358**
Claims and policy holders benefits payable	9,148,198	1,107,201	1,437,652	323,012	182,140	12,198,203
Claims recoverable from re-insurers	1,902,882	627,262	736,738	230,345	145,439	3,642,666
Net insurance benefits and claims	**7,245,316**	**479,939**	**700,914**	**92,667**	**36,701**	**8,555,537**
Operating and other expenses	1,510,573	299,996	263,573	84,139	45,597	2,203,878
Commission payable	1,390,495	245,247	321,547	56,659	6,909	2,020,857
Total expenses and commissions	**2,901,068**	**545,243**	**585,120**	**140,798**	**52,506**	**4,224,735**
Result of operating activities	**700,507**	**664,920**	**146,885**	**2,754**	**31,020**	**1,546,086**
Finance costs	-	(47,937)	-	-	-	(47,937)
Share of result of associates	869,390	325,764	-	-	-	1,195,154
Group profit before income tax	**1,569,897**	**942,747**	**146,885**	**2,754**	**31,020**	**2,693,303**
Income tax expense	179,471	169,712	51,359	-	8,260	408,802
Profit for the year	**1,390,426**	**773,035**	**95,526**	**2,754**	**22,760**	**2,284,501**

Geographical Segment results	Kshs '000					
for the year ended 31 December 2011	**Kenya**	**Uganda**	**Tanzania**	**Mauritius**	**Burundi**	**Total**
Gross earned premium revenue	7,642,938	1,933,803	2,256,411	98,357	127,307	12,058,816
Less: outward reinsurance	1,730,507	1,243,080	1,566,831	71,068	105,334	4,716,820
Net insurance premium revenue	**5,912,431**	**690,723**	**689,580**	**27,289**	**21,973**	**7,341,996**
Investment and other income	2,240,023	332,138	112,776	3,367	4,083	2,692,387
Net fair value gains on financial assets at fair-value-through profit & loss	(329,164)	-	-	-	-	(329,164)
Commission earned	336,930	250,031	236,577	24,069	16,037	863,644
Total income	**8,160,220**	**1,272,892**	**1,038,933**	**54,725**	**42,093**	**10,568,863**
Claims and policy holders benefits payable	6,654,981	1,241,554	950,389	95,803	51,962	8,994,689
Claims recoverable from re-insurers	1,397,618	841,442	525,644	70,551	45,415	2,880,670
Net insurance benefits and claims	**5,257,363**	**400,112**	**424,745**	**25,252**	**6,547**	**6,114,019**
Operating and other expenses	1,249,816	204,081	246,316	67,275	36,843	1,804,331
Commission payable	1,119,881	194,945	246,205	14,080	5,309	1,580,420
Total expenses and commissions	**2,369,697**	**399,026**	**492,521**	**81,355**	**42,152**	**3,384,751**
Result of operating activities	**533,160**	**473,754**	**121,667**	**(51,882)**	**(6,606)**	**1,070,093**
Finance costs	-	(49,937)	-	-	-	(49,937)
Share of result of associates	683,114	440,621	-	-	-	1,123,735
Group profit before income tax	**1,216,274**	**864,438**	**121,667**	**(51,882)**	**(6,606)**	**2,143,891**
Income tax expense	254,105	(58,592)	35,818	-	2,170	233,501
Profit for the year	**962,169**	**923,030**	**85,849**	**(51,882)**	**(8,776)**	**1,910,390**

5. Segment Information (continued)

Segment assets and liabilities as at 31 December 2012 (Kshs '000)	Kenya	Uganda	Tanzania	Mauritius	Burundi	Total
Property and equipment	70,811	19,451	24,093	8,396	11,766	134,517
Investment properties	2,668,000	912,490	97,697	-	74,598	3,752,785
Investment in associates	4,080,486	2,048,080	-	-	-	6,128,566
Investment in shares	6,706,013	173,739	31,706	-	5,765	6,917,223
Mortgage loans	16,402	5,914	-	-	-	22,316
Loans on life insurance policies	397,667	-	-	-	1,169	398,836
Government securities at armortised cost	12,037,435	842,843	228,305	-	-	13,108,583
Deposits with financial institutions	3,621,165	788,305	999,732	22,632	109,089	5,540,923
Commercial bonds	963,650	46,389	-	-	-	1,010,039
Premium receivables	2,293,542	920,346	442,718	226,235	31,305	3,914,146
Reinsurers' insurance contract liabilities	2,091,978	1,276,558	790,940	325,930	104,783	4,590,189
Other receivables	591,960	47,723	164,831	3,121	42,988	850,623
Deffered acquisition costs	222,626	(42,720)	6,787	(34,206)	(9,485)	143,002
Current income tax	3,734	606	6,948	-	-	11,288
Deferred income tax	83,109	15,549	(2,889)	-	874	96,643
Cash and bank balances	486,671	98,845	64,435	122,864	25,068	797,883
Total assets	**36,335,249**	**7,154,118**	**2,855,303**	**674,972**	**397,920**	**47,417,562**
Insurance contract liabilities	10,183,906	1,022,863	820,811	111,211	48,812	12,187,603
Provision for unearned premium	3,125,648	1,007,740	786,614	332,541	86,077	5,338,620
Payable under deposit administration contracts	16,159,738	71,082	241,445	-	12,931	16,485,196
Creditors arising out of direct insurance	38,950	-	-	-	-	38,950
Creditors arising out of reinsurance	508,083	704,717	202,992	149,517	82,319	1,647,628
Trade and other payables	824,229	167,621	225,104	8,428	48,630	1,274,012
Deferred income tax	75,745	41,341	12,548	-	-	129,634
Current income tax payable	(36,148)	25,832	-	-	10,316	-
Borrowings	-	1,295,706	-	-	-	1,295,706
Bank over draft	320,524	-	-	-	-	320,524
Total liabilities	**31,200,675**	**4,336,902**	**2,289,514**	**601,697**	**289,085**	**38,717,873**
Net assets	**5,134,574**	**2,817,216**	**565,789**	**73,275**	**108,835**	**8,699,689**

Segment assets and liabilities as at 31 December 2011 (Kshs '000)	Kenya	Uganda	Tanzania	Mauritius	Burundi	Total
Property and equipment	39,136	20,323	11,822	8,624	12,016	91,921
Investment properties	2,570,331	837,276	95,701	-	84,315	3,587,623
Investment in associates	3,300,782	1,777,455	-	-	-	5,078,237
Investment in shares	5,204,878	1,284,325	82,483	-	-	6,571,686
Mortgage loans	11,051	937	-	-	-	11,988
Loans on life insurance policies	290,775	-	-	-	-	290,775
Government securities at armortised cost	9,392,019	588,463	283,535	-	-	10,264,017
Deposits with financial institutions	1,443,869	552,299	582,276	22,832	38,403	2,639,679
Commercial bonds	1,060,096	53,314	-	-	-	1,113,410
Premium receivables	1,952,234	491,187	330,987	81,328	48,041	2,903,777
Reinsurers' insurance contract liabilities	1,528,422	1,055,203	933,126	145,528	62,552	3,724,831
Other receivables	217,455	(13,149)	1,577	(15,844)	(13,809)	176,230
Deffered acquisition costs	315,004	30,762	126,358	1,916	8,094	482,134
Current income tax payable	(73,590)	141,088	(8,629)	-	-	58,869
Deferred income tax	16,205	11,712	(5,668)	-	320	22,569
Cash and bank balances	548,308	283,037	76,194	71,586	42,961	1,022,086
Total assets	**27,816,975**	**7,114,232**	**2,509,762**	**315,970**	**282,893**	**38,039,832**
Insurance contract liabilities	8,866,237	951,086	597,541	53,544	24,607	10,493,015
Payable under deposit administration contracts	12,192,204	41,298	176,979	-	(2,399)	12,408,082
Provision for unearned premium	2,841,660	760,863	874,650	142,307	61,957	4,681,437
Creditors arising out of direct insurance	218,940	-	-	-	22,222	241,162
Creditors arising out of reinsurance	340,871	394,757	209,965	52,091	49,603	1,047,287
Trade and other payables	621,967	196,987	169,190	4,549	35,579	1,028,272
Deferred income tax	75,849	2,255	12,548	-	-	90,652
Current income tax payable	(34,578)	20,269	11,881	-	2,428	-
Borrowings	-	1,245,509	-	-	-	1,245,509
Bank over draft	92,765	-	-	-	-	92,765
Total liabilities	**25,215,915**	**3,613,024**	**2,052,754**	**252,491**	**193,997**	**31,328,181**
Net assets	**2,601,060**	**3,501,208**	**457,008**	**63,479**	**88,896**	**6,711,651**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Gross earned premium

Group

Short-Term business

Premium earned by principal class of business:	2012 Gross Kshs'000	2012 Reinsurance Kshs'000	2012 Net Kshs'000	2011 Gross Kshs'000	2011 Reinsurance Kshs'000	2011 Net Kshs'000
Motor	3,117,808	208,643	2,909,165	2,353,806	231,977	2,121,829
Fire	1,844,955	1,339,015	505,940	1,160,928	836,656	324,272
Accident	2,423,764	1,614,008	809,756	2,487,961	1,519,732	968,229
Medical	4,631,765	1,676,101	2,955,664	3,395,885	1,262,942	2,132,943
Other	1,126,356	827,393	298,963	787,441	609,114	178,327
Total Short-Term	**13,144,648**	**5,665,160**	**7,479,488**	**10,186,021**	**4,460,421**	**5,725,600**

Long-Term business

Premium earned by principal class of business:	2012 Gross Kshs'000	2012 Reinsurance Kshs'000	2012 Net Kshs'000	2011 Gross Kshs'000	2011 Reinsurance Kshs'000	2011 Net Kshs'000
Ordinary life	1,226,237	9,782	1,216,455	993,304	4,188	989,116
Group life	779,320	351,590	427,730	676,098	252,211	423,887
Pension/annuity	249,309	-	249,309	203,393	-	203,393
Total Long -Term	**2,254,866**	**361,372**	**1,893,494**	**1,872,795**	**256,399**	**1,616,396**
Total Short-Term and Long - Term	**15,399,514**	**6,026,532**	**9,372,982**	**12,058,816**	**4,716,820**	**7,341,996**

7. Investment income

Group

	2012 Kshs '000	2011 Kshs '000
Government securities interest	1,541,644	967,221
Bank deposit interest	684,932	319,361
Fair value gain on investment properties (Note 16)	223,308	706,000
Dividends receivable from equity investments	263,508	247,576
Rental income from investment properties (net of expenses)	231,491	220,151
Realsied gains on disposal of quoted Shares	67,850	56,302
Interest on policy loans	59,571	46,259
Other income	53,689	31,964
Exchange gain/ (loss)	29,639	87,570
Mortgage loan interest	1,349	9,983
Total	**3,156,981**	**2,692,387**

8. Claims and policy holders benefits payable

Group

Short-Term Business

Claims payable by principal class of business	2012			2011		
	Gross Kshs'000	Reinsurance Kshs'000	Net Kshs'000	Gross Kshs'000	Reinsurance Kshs'000	Net Kshs'000
Motor	2,390,252	287,087	2,103,165	1,390,562	104,793	1,285,769
Fire	774,369	624,726	149,643	860,440	726,979	133,461
Accident	1,403,230	904,134	499,096	1,434,071	824,458	609,613
Medical	3,682,825	1,451,862	2,230,963	2,350,133	825,285	1,524,848
Other	313,737	159,153	154,584	275,604	148,954	126,650
Total Short-Term	**8,564,413**	**3,426,962**	**5,137,451**	**6,310,810**	**2,630,469**	**3,680,341**

Long Term Business

Claims payable by principal class of business	2012			2011		
	Gross Kshs'000	Reinsurance Kshs'000	Net Kshs'000	Gross Kshs'000	Reinsurance Kshs'000	Net Kshs'000
Ordinary life	328,410	-	328,410	293,154	1,316	291,838
Group life	269,162	11,510	257,652	369,521	247,368	122,153
Pension/annuity	455,040	207,378	247,662	216,599	-	216,599
Total Long - Term	**1,052,612**	**218,888**	**833,724**	**879,274**	**248,684**	**630,590**

Increase in policy holders benefits	2012			2011		
	Gross Kshs'000	Reinsurance Kshs'000	Net Kshs'000	Gross Kshs'000	Reinsurance Kshs'000	Net Kshs'000
Ordinary life	431,384	1,576	429,808	611,111	-	611,111
Group life	28,166	(4,760)	32,926	123,098	1,517	121,581
Pension/annuity	2,121,628	-	2,121,628	1,070,396	-	1,070,396
Total Long -Term	**2,581,178**	**(3,184)**	**2,584,362**	**1,804,605**	**1,517**	**1,803,088**
Total Long - Term - Claims & policy holders benefits	**3,633,790**	**215,704**	**3,418,086**	**2,683,879**	**250,201**	**2,433,678**
Total Short-Term and Long - Term	**12,198,203**	**3,642,666**	**8,555,537**	**8,994,689**	**2,880,670**	**6,114,019**

9. Operating expenses

Group

The following items have been included in operating expenses:

	2012 Kshs '000	2011 Kshs '000
Employee benefits expense (note 10)	1,101,217	915,215
Auditors' remuneration	13,710	15,257
Depreciation (Note 15)	54,792	36,184
Impairment charge for doubtful premium receivables	72,028	46,471
Operating lease rentals - land and buildings	78,463	75,868
Repairs and maintenance expenditure	15,924	12,456
Other expenses	867,744	702,880
Total	**2,203,878**	**1,804,331**

10. (i) Employee benefits expense

Group

	2012 Kshs '000	2011 Kshs '000
Wages and salaries	924,406	766,658
National Social Security Fund	17,641	38,179
Retirement benefit costs – defined contribution plan	33,606	28,655
Other benefits	125,564	81,723
Total	**1,101,217**	**915,215**

The number of persons employed by the Group at year-end was 609 (2011: 553).

(ii) Key Management compensation and directors' remuneration

	2012 Kshs '000	2011 Kshs '000
Salaries and other employment benefits	144,871	137,835
Fees for services as directors	3,119	2,408
Total	**147,990**	**140,243**

There were no loans given to directors in the year ended 31 December 2012 (2011: Nil).

11. Income tax expense

Group	2012 Kshs '000	2011 Kshs '000
Profit before income tax	2,693,303	2,143,891
Tax calculated at the enacted domestic tax rate	815,168	671,866
Profit before income tax	2,693,303	2,143,891
Tax calculated at the enacted domestic tax rate	815,168	671,866
Effect of :		
Income not subject to income tax	(346,579)	(465,876)
Expenses not deductible for tax purposes	2,505	17,583
Prior year (over)/under provision	(62,292)	9,928
Income tax charge	**408,802**	**233,501**
Current income tax	443,894	250,003
Deferred income tax (25)	(35,092)	(16,502)
	408,802	**233,501**

12. Share capital

The total authorized number of ordinary shares is 70,000,000 (2011: 70,000,000) with a par value of Kshs 5 per share. At 31 December 2012 59,895,000 (2011:54,450,000) ordinary shares were in issue. All issued shares are fully paid.

	Share Capital 2012 Kshs '000	Share Capital 2011 Kshs '000	Number of shares 2012 Kshs '000	Number of shares 2011 Kshs '000
Authorised	350,000	350,000	70,000	70,000
Issued and fully paid:				
At start of year	272,250	247,500	54,450	49,500
Bonus issue of shares	27,225	24,750	5,445	4,950
At end of year	**299,475**	**272,250**	**59,895**	**54,450**

All shares rank equally with regard to the company residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

13. Reserves

a) Fair value reserves

	Group		Company	
	2012 Kshs '000	2011 Kshs '000	2012 Kshs '000	2011 Kshs '000
At start of year	(553,376)	(257,656)	(879)	(6,077)
Fair value gain/(loss) from others	2,278	(24,788)	-	-
Fair value gain/(loss) through other comprehensive income	250,664	(261,182)	148	5,198
Transfer to retained earnings on disposal	(28,571)	(9,750)	-	-
At end of year	**(329,005)**	**(553,376)**	**(731)**	**(879)**

The fair value reserve is non-distributable.

13. Reserves (continued)

b) General reserves (Group)

	2012 Kshs '000	2011 Kshs '000
At start of year	70,000	70,000
Transfer to retained earnings	-	-
At end of year	**70,000**	**70,000**

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

c) Translation reserve (Group)

	2012 Kshs '000	2011 Kshs '000
At start of year	(214,053)	(14,942)
Movement for the year	(197,438)	(199,111)
At end of year	**(411,491)**	**(214,053)**

d) Contingency reserve (Group)

	2012 Kshs '000	2011 Kshs '000
At start of year	472,125	414,404
Transfer from retained earnings	79,082	57,721
At end of year	**551,207**	**472,125**

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. 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 Kshs 59.895 million (2011: Kshs 54.45 million) was paid or Kshs 1.00 per share (2011: Kshs 1.00 per share). At the Annual General Meeting to be held on 6th June, 2013 a final dividend of Kshs 359.370 million (2011: Kshs 245.025 million) is to be proposed, which is Kshs 6.00 per share (2011: Kshs 4.50 per share). The total dividend is therefore Kshs 419.265 million (2011: Kshs 299.475million) or Kshs 7.00 per share (2011: Kshs5.50 per share).

Payment of dividend is subject to withholding tax at the rate of either 0%, 5% or 10%, depending on the residential status of the respective shareholders.

15. Property and equipment

Group

	Computer equipment	Motor vehicles	Furniture, fixtures, fittings & office equipment	Total
Year ended 31 December 2012	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Cost				
At start of year	212,933	39,428	178,304	430,665
Additions	69,125	14,231	16,076	99,432
Disposals	-	(124)	(972)	(1,096)
Exchange adjustment	(1,510)	(418)	(2,543)	(4,471)
At end of year	**280,548**	**53,117**	**190,865**	**524,530**
Depreciation				
At start of year	182,792	25,890	130,062	338,744
Charge for the year	35,057	6,840	12,895	54,792
On disposals	-	-	(999)	(999)
Exchange adjustment	(872)	(234)	(1,418)	(2,524)
At end of year	**216,977**	**32,496**	**140,540**	**390,013**
Net book value	**63,571**	**20,621**	**50,325**	**134,517**

	Computer equipment	Motor vehicles	Furniture, fixtures, fittings & office equipment	Total
Year ended 31 December 2011	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Cost				
At start of year	188,425	38,064	153,628	380,117
Additions	30,029	6,318	31,039	67,386
Disposals	(2,011)	(3,000)	(2,441)	(7,452)
Exchange adjustment	(3,510)	(1,954)	(3,922)	(9,386)
At end of year	**212,933**	**39,428**	**178,304**	**430,665**
Depreciation				
At start of year	170,156	25,161	123,611	318,928
Charge for the year	19,459	5,174	11,551	36,184
On disposals	(3,138)	(2,775)	(1,357)	(7,270)
Exchange adjustment	(3,685)	(1,670)	(3,743)	(9,098)
At end of year	**182,792**	**25,890**	**130,062**	**338,744**
Net book value	**30,141**	**13,538**	**48,242**	**91,921**

16. Investment properties

Group

	2012 Kshs '000	2011 Kshs '000
At start of year	3,587,623	2,882,945
Net additions	-	28,333
Exchange variation	(58,146)	(29,655)
Fair value gains (note 7)	223,308	706,000
At end of year	**3,752,785**	**3,587,623**

The valuation of investment properties was carried out by Redfearn International Limited on the basis of open market value. Investment properties include properties situated outside Kenya valued at Kshs 1,085 million (2011: Kshs 1,017 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Investment in associated companies and subsidiaries

i. Investment in associated companies

Movement in net assets

Group

	Opening Balance	Additions/ Transfers	Dividends received	Share of result	Translation loss	Closing Balance
Year 2012	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
IPS Power Investments Ltd	169,268	-	-	-	-	169,268
PDML (Holding) Limited	1,230,287	-	(9,903)	226,160	-	1,446,544
Bujagali Holding Power Company Limited	1,738,829	63,186	-	325,764	(67,833)	2,059,946
FCL Holding Ltd	1,141,404	13,390	(143,665)	190,310	-	1,201,439
IPS Cable Holding Systems Ltd	798,449	-	-	452,920	-	1,251,369
Total	**5,078,237**	**76,576**	**(153,568)**	**1,195,154**	**(67,833)**	**6,128,566**

	Opening Balance	Additions/ Transfers	Dividends received	Share of result	Translation loss	Closing Balance
Year 2011	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
IPS Power Investments Ltd	169,268	-	-	-	-	169,268
PDML (Holding) Limited	1,016,227	-	(10,160)	224,220	-	1,230,287
Bujagali Holding Power Company Limited	1,298,208	-	-	440,621	-	1,738,829
FCL Holding Ltd	1,132,303	-	(161,511)	170,612	-	1,141,404
IPS Cable Holding Systems Ltd	510,167	-	-	288,282	-	798,449
Total	**4,126,173**	**-**	**(171,671)**	**1,123,735**	**-**	**5,078,237**

IPS Power Investment Limited is an investment vehicle company, which through its subsidiary has invested in the equity of Tsavo Power Company Limited that generates electricity for sale. Bujagali Holding Power Company Limited is an investment vehicle company which through its subsidiary has invested in the equity of Bujagali Energy Limited an electricity generating company in Uganda. PDM (Holding) Ltd is an investment vehicle company which has invested in the equity of Property Development and Management (K) Limited which 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. IPS Cable Systems Ltd is an investment vehicle company which has invested in the 15,000 km Seacom submarine fiber optic cable project.

Movement in net assets

Company

	Opening Balance	Additions/ Transfers	Dividends received	Share of result	Translation loss	Closing Balance
Year 2012	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
FCL Holding Ltd	578,965	-	(71,833)	95,155	-	602,287
IPS Cable Holding Systems Ltd	798,450	-	-	452,920	-	1,251,370
Total	**1,377,415**	**-**	**(71,833)**	**548,075**	**-**	**1,853,657**

	Opening Balance	Additions/ Transfers	Dividends received	Share of result	Translation loss	Closing Balance
Year 2011	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
FCL Holding Ltd	565,985	-	(72,325)	85,305	-	578,965
IPS Cable Holding Systems Ltd	510,168	-	-	288,282	-	798,450
Total	**1,076,153**	**-**	**(72,325)**	**373,587**	**-**	**1,377,415**

17. Investment in associated companies and subsidiaries (continued)

Group

Interest in principal associates Year 2012	Country of Incorporation Kshs'000	Assets Kshs'000	Liabilities Kshs'000	Revenues Kshs'000	Profit/(loss) Kshs'000	Interest Held %
IPS Power Investments Ltd	Kenya	3,850,562	841,059	4,880,185	735,239	27%
PDML (Holding) Limited	Kenya	4,992,605	961,686	444,081	577,931	37%
Bujagali Holding Power Company Limited	Uganda	32,621,164	22,891,284	301,122	1,359,969	25%
FCL Holding Ltd	Kenya	3,364,836	855,827	6,409,529	634,366	30%
IPS Cable Holding Systems Ltd	Mauiritius	7,772,614	3,562,648	1,065,251	881,545	33%
Total		**52,601,781**	**29,112,504**	**13,100,168**	**4,189,050**	

Interest in principal associates Year 2011	Country of Incorporation Kshs'000	Assets Kshs'000	Liabilities Kshs'000	Revenues Kshs'000	Profit/(loss) Kshs'000	Interest Held %
IPS Power Investments Ltd	Kenya	4,923,650	2,195,511	5,451,271	720,128	27%
PDML (Holding) Limited	Kenya	4,383,664	792,480	359,997	444,352	37%
Bujagali Holding Power Company Limited	Uganda	27,653,993	19,381,706	1,099,254	1,088,081	25%
FCL Holding Ltd	Kenya	3,388,087	1,114,642	5,515,035	545,473	30%
IPS Cable Holding Systems Ltd	Mauiritius	7,557,609	4,989,833	1,094,059	864,846	33%
Total		**47,907,003**	**28,474,172**	**13,519,616**	**3,662,880**	

Company

Interest in principal associates Year 2012	Country of Incorporation Kshs'000	Assets Kshs'000	Liabilities Kshs'000	Revenues Kshs'000	Profit/(loss) Kshs'000	Interest Held %
FCL Holding Ltd	Kenya	3,364,836	855,827	6,409,529	634,366	15%
IPS Cable Holding Systems Ltd	Mauiritius	7,772,614	3,562,648	1,065,251	881,545	33%
Total		**11,137,450**	**4,418,475**	**7,474,780**	**1,515,911**	

Interest in principal associates Year 2011	Country of Incorporation Kshs'000	Assets Kshs'000	Liabilities Kshs'000	Revenues Kshs'000	Profit/(loss) Kshs'000	Interest Held %
FCL Holding Ltd	Kenya	3,388,087	1,114,642	5,515,035	545,473	15%
IPS Cable Holding Systems Ltd	Mauiritius	7,557,609	4,989,833	1,094,059	864,846	33%
Total		**10,945,696**	**6,104,475**	**6,609,094**	**1,410,319**	

17. Investment in associated companies and subsidiaries (continued)

ii. Investment in subsidiaries

Company	Share Capital 2012 Kshs'000	Share Capital 2011 Kshs'000	Equity Held 2012 %	Equity Held 2011 %
Jubilee Insurance Company of Kenya Limited	450,000	450,000	100%	100%
Jubilee Insurance Company of Tanzania Limited	72,911	72,911	51%	51%
Jubilee Insurance Company of Uganda Limited	25,195	25,195	65%	65%
Jubilee Insurance (Mauritius) Limited	59,492	59,492	80%	80%
Jubilee Financial Services Limited (Kenya)	-	50,498	0%	100%
Jubilee Investment Company Limited (Uganda)	1,103,707	1,103,707	100%	100%
Jubilee Investment Company Limited (Tanzania)	298	298	100%	100%
Jubilee Investment Company Limited (Burundi)	426	426	100%	100%
Total	**1,712,029**	**1,762,527**		

The Jubilee Investments Company Limited owns 35% equity of The Jubilee Insurance Company of Uganda Limited and 10% equity of Jubilee Insurance (Mauritius) Ltd. The Group holds 70% of Jubilee Insurance Burundi through Jubilee Investments Burundi (33%), Jubilee Investment Uganda (33%) and Jubilee Investments Tanzania (4%). The Group holds 80% of Jubilee Center Burundi, a property investment company through it's subsidiary Jubilee Investment Company of Burundi. The Group holds 100% of Jubilee Financial Services Ltd, a fund management company, through its subsidiary The Jubilee Insurance Company of Kenya Ltd.

18. Quoted shares

Group

	FV Through P/L 2012 Kshs'000	FV Through OCI 2012 Kshs'000	Total 2012 Kshs'000	FV Through P/L 2011 Kshs'000	FV Through OCI 2011 Kshs'000	Total 2011 Kshs'000
At start of year	3,739,567	871,119	4,610,686	5,075,100	597,916	5,673,016
Additions	223,518	31,477	254,995	98,930	653,175	752,105
Disposals	(392,320)	(189,384)	(581,704)	(254,970)	(61,716)	(316,686)
Transfer to retained earnings on disposal	-	(28,571)	(28,571)	-	(9,750)	(9,750)
Reclassification FVTPL-FVTOCI	37,307	(37,307)	-	42,890	(42,890)	-
Fair value gain/ (loss) through other comprehensive income	-	248,750	248,750	-	(261,855)	(261,855)
Fair value gain/(loss) through profit and loss	800,965	-	800,965	(1,221,337)	-	(1,221,337)
Exchange gain/(loss)	433	(3,677)	(3,244)	(1,046)	(3,761)	(4,807)
At end of year	**4,409,470**	**892,407**	**5,301,877**	**3,739,567**	**871,119**	**4,610,686**

18. Quoted shares (continued)

Company

	FV Through P/L 2012 Kshs'000	FV Through OCI 2012 Kshs'000	Total 2012 Kshs'000	FV Through P/L 2011 Kshs'000	FV Through OCI 2011 Kshs'000	Total 2011 Kshs'000
At start of year	-	18,270	18,270	-	16,328	16,328
Fair value (loss)/gain through other comprehensive income	-	(1,197)	(1,197)	-	1,942	1,942
At end of year	**-**	**17,073**	**17,073**	**-**	**18,270**	**18,270**

19. Unquoted shares

Group

	FV Through P/L 2012 Kshs'000	FV Through OCI 2012 Kshs'000	Total 2012 Kshs'000	FV Through P/L 2011 Kshs'000	FV Through OCI 2011 Kshs'000	Total 2011 Kshs'000
At start of year	1,909,529	51,471	1,961,000	1,015,121	37,836	1,052,957
Additions/transfers	-	10,046	10,046	2,235	18,317	20,552
Fair value gain through other comprehensive income	-	1,346	1,346	-	3,256	3,256
Fair value (loss)/gain through profit and loss	(357,418)	-	(357,418)	892,173	-	892,173
Exchange gain/(loss)	-	372	372	-	(7,938)	(7,938)
At end of year	**1,552,111**	**63,235**	**1,615,346**	**1,909,529**	**51,471**	**1,961,000**

Company

	FV Through P/L 2012 Kshs'000	FV Through OCI 2012 Kshs'000	Total 2012 Kshs'000	FV Through P/L 2011 Kshs'000	FV Through OCI 2011 Kshs'000	Total 2011 Kshs'000
At start of year	-	9,337	9,337	-	6,081	6,081
Additions/transfers	-	1,325	1,325	-	-	-
Fair value gain through other comprehensive income	-	1,345	1,345	-	3,256	3,256
At end of year	**-**	**12,007**	**12,007**	**-**	**9,337**	**9,337**

20. Loans receivable

Group

(i) Mortgage Loans	2012 Kshs '000	2011 Kshs '000
At start of year	11,988	40,161
Loans advanced	11,249	2,000
Accrued Interest and penalties	3,888	3,518
Less: Provision for impairment (losses)/gains during the year	(2,469)	6,835
Redemptions/repayments	(2,142)	(40,537)
Exchange variation	(198)	11
At end of year	**22,316**	**11,988**
Maturity profile of mortgage loans		
Loans maturing		
Within 1 year	-	26
In 1-5 years	8,201	7,433
In over 5 years	14,115	4,529
Total	**22,316**	**11,988**

Group

(ii) Loans on life insurance policies	2012 Kshs '000	2011 Kshs '000
At start of year	290,775	213,994
Loans advanced	132,910	119,081
Interest	43,908	38,436
Loan repayments	(68,757)	(91,315)
Impairment charge	-	10,579
At end of year	**398,836**	**290,775**
Maturity profile of policy loans		
Loans maturing		
Within 1 year	6,149	42,718
In 1-5 years	229,879	152,659
In over 5 years	162,808	95,398
Total	**398,836**	**290,775**

21. Government securities at amortised cost

Group

	2012 Kshs '000	2011 Kshs '000
Treasury bills maturing within 91 days of the date of acquisition	-	199,896
Treasury bills maturing after 91 days of the date of acquisition	1,226,801	237,522
Treasury bonds maturing within 1 year	2,358,738	525,765
Treasury bonds maturing in 1-5 years	1,465,513	2,003,299
Treasury bonds maturing after 5 years	8,057,531	7,297,535
Total	**13,108,583**	**10,264,017**

22. Reinsurers' share of insurance contract liabilities

Group

	2012 Kshs '000	2011 Kshs '000
Reinsurers' share of:		
- Unearned premium (Note 30)	2,087,369	1,804,235
- Notified claims outstanding and IBNR (Note 35)	2,502,820	1,920,596
Total	**4,590,189**	**3,724,831**

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 in the statement of financial position.

23. Deferred acquisition costs

Group

	2012 Kshs '000	2011 Kshs '000
At start of year	176,230	112,143
Net (decrease)/increase	(36,743)	63,239
Translation gain	3,515	848
At end of year	**143,002**	**176,230**

24. Other receivables

	Group		Company	
	2012	2011	2012	2011
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Deposits - Office rent and utilities	832	835	-	-
Prepayments	23,511	20,852	1,500	-
Unaccounted expenses and advances	30,258	7,133	-	
Staff accounts	22,111	2,598	-	-
Sundry debtors	773,911	450,716	237	102
Total	**850,623**	**482,134**	**1,737**	**102**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. Deferred income tax

Deferred income tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2011: 30%). The movement in the deferred income tax account is as follows:

	Group		Company	
	2012	2011	2012	2011
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
At start of year	68,083	84,585	12,237	12,237
Income statement charge/(credit)	(35,092)	(16,502)	(13,416)	-
At end of year	**32,991**	**68,083**	**(1,179)**	**12,237**
Deferred income tax asset	96,643	22,569	13,416	-
Deferred income tax liability	129,634	90,652	12,237	12,237
Net deferred income tax liability	**32,991**	**68,083**	**(1,179)**	**12,237**

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

	Group Kshs '000			Company Kshs '000		
	1st January 2012	Charged to the income statement	31st December 2012	1st January 2012	Charged to the income statement	31st December 2012
Fair value gains on investment properties	132,604	36,636	169,240	-	-	-
Accelerated depreciation	(36,530)	1,032	(35,498)	-	-	-
Impairment provisions and other deductible temporary difference	(31,141)	(32,332)	(63,473)	-	-	-
Other deductible temporary differences	3,150	(40,428)	(37,278)	12,237	(13,416)	(1,179)
Net deferred income tax liability	**68,083**	**(35,092)**	**32,991**	**12,237**	**(13,416)**	**(1,179)**

	1st January 2011	Charged to the income statement	31st December 2011	1st January 2011	Charged to the income statement	31st December 2011
Fair value gains on investment properties	133,354	(750)	132,604	-	-	-
Accelerated depreciation	(35,967)	(563)	(36,530)	-	-	-
Impairment provisions and other deductible temporary difference	(25,421)	(5,720)	(31,141)	-	-	-
Other deductible temporary differences	12,619	(9,469)	3,150	12,237	-	12,237
Net deferred income tax liability	**84,585**	**(16,502)**	**68,083**	**12,237**	**-**	**12,237**

26. Cash and cash equivalents

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

	Group		Company	
	2012	2011	2012	2011
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Cash and bank balances	797,883	1,022,086	20,370	999
Short-term deposits with banks	5,540,923	2,639,679	1,776	1,707
Bank overdraft (Note 32)	(320,524)	(92,765)	-	-
Total	**6,018,282**	**3,569,000**	**22,146**	**2,706**

27. Earnings per share

Earnings per ordinary share of Kshs 5 each is calculated by dividing the net profit attributable to Shareholders by the number of shares outstanding at the end of the year.

Group

	2012	2011 Restated
	Kshs '000	Kshs '000
Net profit attributable to Shareholders	2,115,333	1,802,457
Number of ordinary shares in issue	59,895	59,895
Earnings per share (Kshs)-Basic and diluted	**35**	**30**

There were no potentially dilutive shares in issue at 31 December 2012 and 31 December 2011. Diluted earnings per share are therefore the same as basic earnings per share. The 2011 earnings per share has been adjusted to incorporate increase in number of shares as a result of a bonus share issue in 2012.

28. Insurance contract liabilities

	2012	2011
Short-Term insurance contracts	Kshs '000	Kshs '000
Claims reported and Claims handling expenses	4,129,340	3,326,458
Claims incurred but not reported (IBNR)	1,067,632	772,633
Total Short-Term	**5,196,972**	**4,099,091**
Long-Term insurance contracts		
- Claims reported and claims handling expenses	455,378	424,268
- Actuarial value of long term liabilities	6,535,253	5,969,656
Total Long-Term	**6,990,631**	**6,393,924**
Total Short-Term and Long-Term	**12,187,603**	**10,493,015**

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 2012 and 2011 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.

28. Insurance contract liabilities (continued)

Short – Term insurance contracts

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

Accident year	2008	2009	2010	2011	2012	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Estimate of ultimate claims cost						
At end of accident year	2,271,250	563,447	611,798	965,443	1,871,248	6,283,186
One year later	1,386,802	449,738	763,973	3,169,736	5,601,616	11,371,865
Two years later	199,005	170,396	178,375	1,158,971	-	1,706,747
Three years later	181,889	167,877	228,855	-	-	578,621
Four years later	254,687	166,953	-	-	-	421,640
Incurred per accident year	50,534	-	-	-	-	50,534
Current estimate of cumulative claims	3,248,968	965,176	1,283,355	2,910,533	7,472,864	15,880,896
Less: cumulative payments to date	(2,864,126)	(694,094)	(853,023)	(1,581,236)	(5,759,077)	(11,751,556)
Total gross claims liability included in the balance sheet before IBNR	**384,842**	**271,082**	**430,332**	**1,329,297**	**1,713,787**	**4,129,340**
Incurred but not reported (IBNR)	-	-	-	-	1,067,632	1,067,632
Total gross claims liability included in the balance sheet	**384,842**	**271,082**	**430,332**	**1,329,297**	**2,781,419**	**5,196,972**

Long-Term insurance contracts

The Group determines its liabilities on long term insurance contracts based on assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. A margin for risk and uncertainty is added to these assumptions. The liabilities are determined on the advice of the consulting actuary and actuarial valuations carried out on an annual basis.

Valuation assumptions

The latest actuarial valuation of the life fund was carried out as at 31 December, 2012 by Actuarial Partners Consulting Sdn Bhd, consulting actuaries. In determining the statutory policy liabilities, the Net Premium Value (NPV) method and the assumptions specified in the Seventh Schedule of the Insurance Regulations, 1986, were used for policies valued by way of discounted cash flows. Other policy liabilities were valued as described below:

i. Under Group Temporary Assurance a reserve equal to the unearned portion of the office premium was held. An additional reserve for Incurred But Not Reported (IBNR) claims was also held.

ii. Under Group Disability Income Insurance (GDII), Group Critical Illness, Group Permanent Disability and Group Temporary Disability a reserve equal to the unearned portion of the office premium was held plus a reserve for IBNR.

iii. Under the riders ADB, (Accidental Death Benefit), (ADB, TPD (Total Permanent Disablement), WOP (Waiver Of Premium)) combined and (ADB, TPD) combined, a reserve of one year's office premium was held previously. As at 31.12.2012, the reserve will be held equal to the unearned portion of the office premium plus Incurred But Not Reported (IBNR) claims reserve.

iv. Under Deposit Administration the reserve was taken equal to amount of the fund at the valuation date, including the 2012 bonus declaration.

v. Under the non-participating universal life policies, the reserve was calculated as equal to fund value at 31 December, 2012.

No deduction was made from the liabilities on account of reinsurance ceded other than for Group Temporary Assurance and Group Disability Income.

28. Insurance contract liabilities (continued)

The policy liabilities were also valued using a realistic best estimate basis that took direct accounts of all expected cash flows on the various policies, such as actual premiums payable, commissions, expenses, claims, investment returns, bonuses etc. This resulting best-estimate liability was lower than that calculated using the NPV, demonstrating that the statutory liabilities are sufficient. All assets (including the excess of assets over liabilities) have been valued at market value/fair value as detailed in the notes to the financial statements.

Sensitivity analysis

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

Sensitivity	Statutory Result	
Published	**19,420,956**	
Lapses +5%	19,420,956	0%
Mortality annuities: -20% insurance: +20%	19,420,956	0%
Mortality annuities: +20% insurance: -20%	19,420,956	0%
Inflation +1%	19,420,956	0%
Investment Return -1%	19,420,956	0%
Expenses +10%	19,420,956	0%

29. Payable under deposit administration contracts

Group

	2012 Kshs '000	2011 Kshs '000
At start of year	12,408,082	10,400,858
Pension fund deposits received	3,538,023	2,848,778
Surrenders and annuities paid	(1,546,383)	(1,297,030)
Other movements in the fund	2,085,727	459,071
Exchange variation	(253)	(3,595)
At end of year	**16,485,196**	**12,408,082**

Deposit administration contracts are recorded at amortized cost. Movements in amounts payable under deposit administration contracts during the year are as shown above. The liabilities are shown inclusive of interest accumulated to 31 December, 2012 and 2011.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. Unearned premium reserve

Group

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

	2012			2011		
	Gross Kshs '000	Reinsurance Kshs '000	Net Kshs '000	Gross Kshs '000	Reinsurance Kshs '000	Net Kshs '000
At start of year	4,681,437	1,804,235	2,877,202	3,510,176	1,438,051	2,072,125
Increase in the period (net)	657,183	283,134	374,049	1,171,261	366,184	805,077
At end of year	**5,338,620**	**2,087,369**	**3,251,251**	**4,681,437**	**1,804,235**	**2,877,202**

31. Trade and other payables

	Group		Company	
	2012 Kshs '000	2011 Kshs '000	2012 Kshs '000	2011 Kshs '000
Payroll liabilities	3,048	4,961	-	-
Value added tax payable	2,501	7,291	-	-
Withholding taxes payable	19,579	29,022	-	-
Other liabilites	780,321	375,555	4,925	100
Leave pay accrual	41,020	14,808	6,571	-
Other accruals	276,897	462,660	-	2,845
Total	**1,123,366**	**894,297**	**11,496**	**2,945**

32. Borrowings

Group

The borrowings are made up as follows:

	2012 Kshs '000	2011 Kshs '000
Bank overdraft	320,524	92,765
Bank borrowing	1,295,706	1,245,509
Total borrowing	**1,616,230**	**1,338,274**

The bank borrowing relates to a loan of USD 15 million advanced by CFC Stanbic Bank Limited to The Jubilee Investments Company Limited (Uganda) to finance the purchase of investment properties. The loan attracts an interest of 3.75% per annum and is secured by corporate guarantee from the Company. The principal loan will be repaid via one bullet payment when due for payment.

33. Contingent liabilities, commitments and off balance sheet items

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

Treasury bonds of Kshs 1,915 million are held under lien with the Central Bank of Kenya as security deposit in favor of the Commissioner of Insurance as required under the provisions of section 32 of Kenya Insurance Act, Kshs 11.06 million are held under lien with the Bank of Uganda as security deposit in favor of the Commissioner of Insurance as required under the provisions of section 7 (i) of Uganda Insurance Act and Kshs 28.38 million are held under lien with the Bank of Tanzania as security deposit in favor of the Commissioner of Insurance as required under the provisions of Tanzania Insurance Act.

The Group does not have any material outstanding commitments. The Group has a Kshs 30 million overdraft guarantee and letters of guarantee amounting to Kshs 200 million with Diamond Trust Bank Kenya Limited.

34. Related party transactions

The ultimate parent of the Group is the Aga Khan Fund for Economic Development S.A., a company incorporated in Switzerland. There are various other companies related to Jubilee Holdings Limited through common shareholdings or common directorships. In the normal course of business, insurance policies are sold to related parties at terms and conditions similar to those offered to major clients. Related parties rendered various services to the Group during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34. Related party transactions (continued)

Group

i) Transactions with related parties	2012	2011
Gross premium:	**Kshs '000**	**Kshs '000**
Diamond Trust Bank Limited	148,527	127,494
Industrial Promotion Services (Kenya) Limited	131,241	110,410
TPS Eastern Africa Limited	40,296	10,829
Property Development and Management Limited	11,803	13,872
Nation Media Group	102,011	77,694
Total	**433,878**	**340,299**
Net claims incurred:		
Diamond Trust Bank Limited	85,361	135,037
Industrial Promotion Services (Kenya) Limited	104,029	90,158
TPS Eastern Africa Limited	59,978	21,894
Property Development and Management Limited	13,399	5,183
Nation Media Group	145,480	83,379
Total	**408,247**	**335,651**
Services received from:		
Industrial Promotion Services (Kenya) Limited	1,938	4,897
TPS Eastern Africa Limited	1,749	827
Property Development and Management Limited	-	542
Nation Media Group	2,898	5,089
Total	**6,585**	**11,355**
ii) Balances with related parties		
Outstanding premium:		
Diamond Trust Bank Limited	5,546	30,435
Industrial Promotion Services (Kenya) Limited	10,323	2,070
TPS Eastern Africa Limited	1,079	412
Property Development and Management Limited	(75)	20
Nation Media Group	9,582	6,029
Total	**26,455**	**38,966**
Outstanding claims:		
Diamond Trust Bank Limited	11,035	18,032
Industrial Promotion Services (Kenya) Limited	23,832	19,786
TPS Eastern Africa Limited	44,082	107,332
Property Development and Management Limited	430	168
Nation Media Group	26,427	57,157
Total	**105,806**	**202,475**
Deposits with financial institutions		
Diamond Trust Bank Limited	2,486,530	1,684,534
Total	**2,486,530**	**1,684,534**
Interest received from financial institutions		
Diamond Trust Bank Limited	153,453	101,354
Total	**153,453**	**101,354**

34. Related party transactions (continued)

Company

Transactions with related parties	**2012 Kshs '000**	**2011 Kshs '000**
Due from related parties:		
Jubilee Centre Burundi	6,435	6,435
Jubilee Insurance (Mauritius) Limited	71,015	71,015
Jubilee Financial Services Limited (Kenya)	-	8,356
Jubilee Investment Company Limited (Tanzania)	641	468
Jubilee Insurance Company of Burundi Limited	24,213	24,213
Jubilee Investment Company Limited (Burundi)	58,746	57,388
Total	**161,050**	**167,875**
Due to related parties		
Jubilee Insurance Company of Kenya Limited	335,423	291,177
Jubilee Insurance Company of Tanzania Limited	13,481	9,371
Jubilee Insurance Company of Uganda Limited	293	14,947
Jubilee Investment Company Limited (Uganda)	205,124	305,988
Total	**554,321**	**621,483**
Net owing	**(393,271)**	**(453,608)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35. Movements in insurance liabilities and reinsurance assets

Group

(i) Short-Term insurance business

	2012			**2011**		
	Gross Kshs '000	**Reinsurance Kshs'000**	**Net Kshs '000**	**Gross Kshs '000**	**Reinsurance Kshs'000**	**Net Kshs '000**
Notified claims	3,326,458	1,558,556	1,767,902	2,306,036	832,861	1,473,175
Incurred but not reported	772,633	362,040	410,593	509,108	200,111	308,997
Total at start of year	**4,099,091**	**1,920,596**	**2,178,495**	**2,815,144**	**1,032,972**	**1,782,172**
Cash paid for claims settled in year	(7,148,011)	(2,633,938)	(4,514,073)	(3,866,658)	(1,267,053)	(2,599,605)
Increase in liabilities						
arising from current year claims	7,200,199	2,636,326	4,563,873	3,721,694	1,335,641	2,386,053
arising from prior year claims	5,144,784	2,500,432	2,644,352	4,244,055	1,852,008	2,392,047
Total at end of year	**5,196,972**	**2,502,820**	**2,694,152**	**4,099,091**	**1,920,596**	**2,178,495**
Notified claims	4,129,340	2,001,204	2,128,136	3,326,458	1,558,556	1,767,902
Incurred but not reported	1,067,632	501,616	566,016	772,633	362,040	410,593
Total at end of year	**5,196,972**	**2,502,820**	**2,694,152**	**4,099,091**	**1,920,596**	**2,178,495**

(ii) Long-Term insurance business

	2012			**2011**		
	Gross Kshs'000	**Reinsurance Kshs'000**	**Net Kshs'000**	**Gross Kshs'000**	**Reinsurance Kshs'000**	**Net Kshs'000**
Notified claims	424,268	156,959	267,309	353,601	106,879	246,722
Acturial value of policy holders benefits	5,969,656	-	5,969,656	4,595,180	-	4,595,180
Total at start of year	**424,268**	**156,959**	**267,309**	**353,601**	**106,879**	**246,722**
Cash paid for claims settled in year	(634,376)	(227,698)	(406,678)	(434,871)	(154,646)	(280,225)
Increase in liabilities						
arising from current year claims	115,528	20,321	95,207	113,423	42,141	71,282
arising from prior year claims	634,138	227,698	406,440	392,115	162,585	229,530
Total at end of year	**539,558**	**177,280**	**362,278**	**424,268**	**156,959**	**267,309**
Notified claims	455,378	164,488	290,890	424,268	156,959	267,309
Actuarial value of policy holders benefits	6,535,253	-	6,535,253	5,969,656	-	5,969,656
Total at end of year	**6,990,631**	**164,488**	**6,826,143**	**6,393,924**	**156,959**	**6,236,965**
Total at end of year Short-Term and Long-Term	**12,187,603**	**2,667,308**	**9,520,295**	**10,493,015**	**2,077,555**	**8,415,460**

36. Hedge reserves

The Group had until 31 December 2011 hedged the foreign exchange movement of its US$ 15m investment in Bujagali Holding Power Company Limited by borrowing a US$ 15m denominated loan. The hedge reserve is included in the translation reserve. Below is the movement in the hedge reserve:

	2012 Kshs '000	**2011 Kshs '000**
Loan translation difference	-	76,256
Currency translation difference	-	-
Balance of the hedge reserve	**-**	**76,256**

SUPPLEMENTARY INFORMATION

GROUP REVIEW – TEN YEARS

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
					Kshs million					
Shareholders' Funds	8,020	6,153	5,114	3,389	2,871	3,606	3,393	2,370	2,094	2,029
Share Capital	299	272	248	225	225	225	180	180	180	180
Long-Term Business Funds	23,476	18,802	14,637	11,495	11,730	9,333	6,504	5,115	4,081	3,310
Total Assets	47,418	38,040	30,691	23,736	20,203	17,942	15,356	11,591	9,724	8,406
Profit Before Tax	2,693	2,144	2,053	1,116	901	810	665	471	359	313
Profit Attributable to Shareholders	2,115	1,802	1,756	825	636	617	528	348	241	213
Profit Attributable to Non - Controlling interest	169	108	83	89	77	46	32	47	36	30
Dividends to Shareholders	419	299	272	203	191	191	153	144	90	81
Dividend Cover Ratio	5.05	6.02	6.45	4.07	3.33	3.23	3.45	2.42	2.68	2.63
Bonus Issue	-	1:10	1:10	1:10	-	1:04	-	-	-	-
*Earnings Per Share {(Kshs) (par value Kshs 5)	35.32	30.09	29.31	13.77	10.62	10.30	8.82	5.81	4.02	3.56

* Earnings per share has been calculated on 59.895 million shares for all the years

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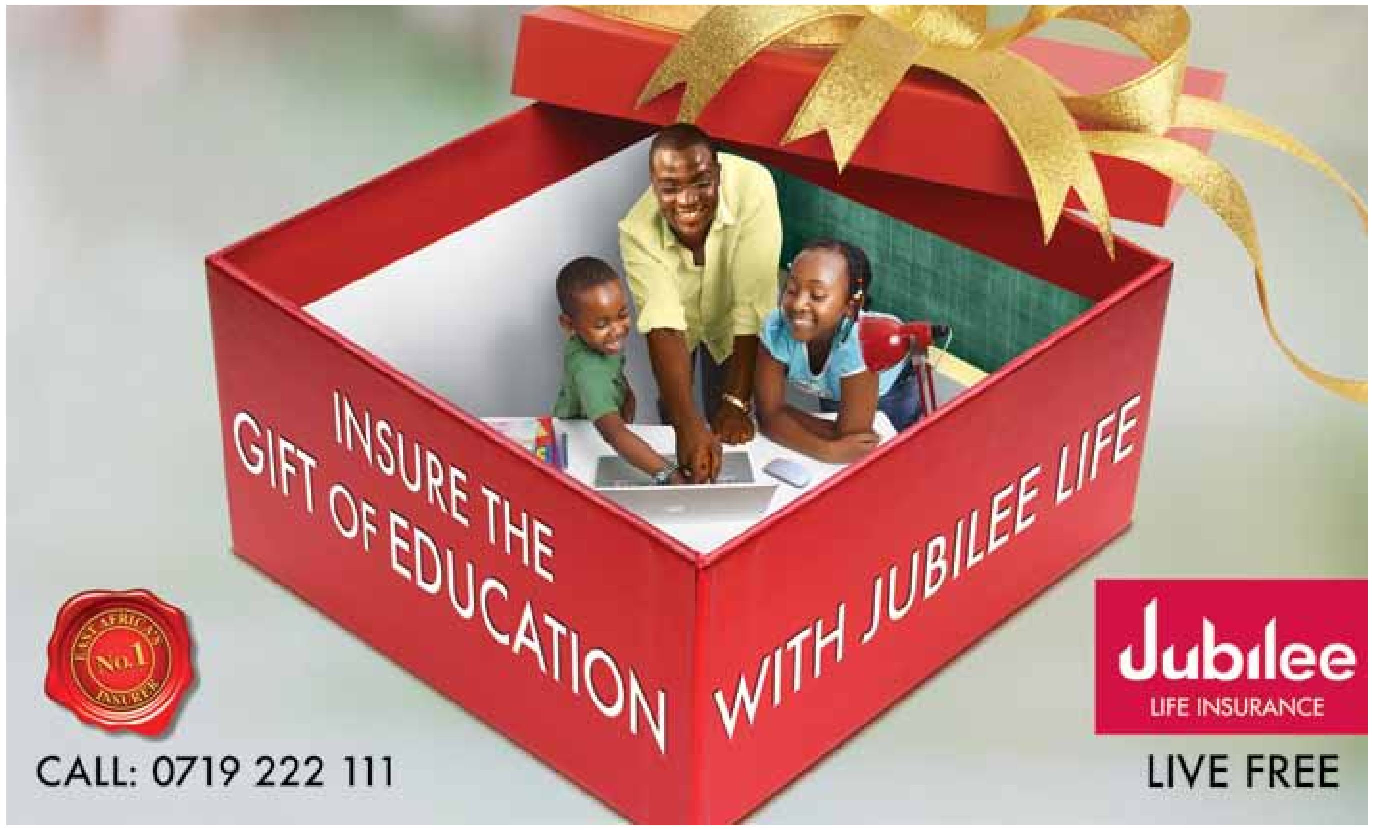

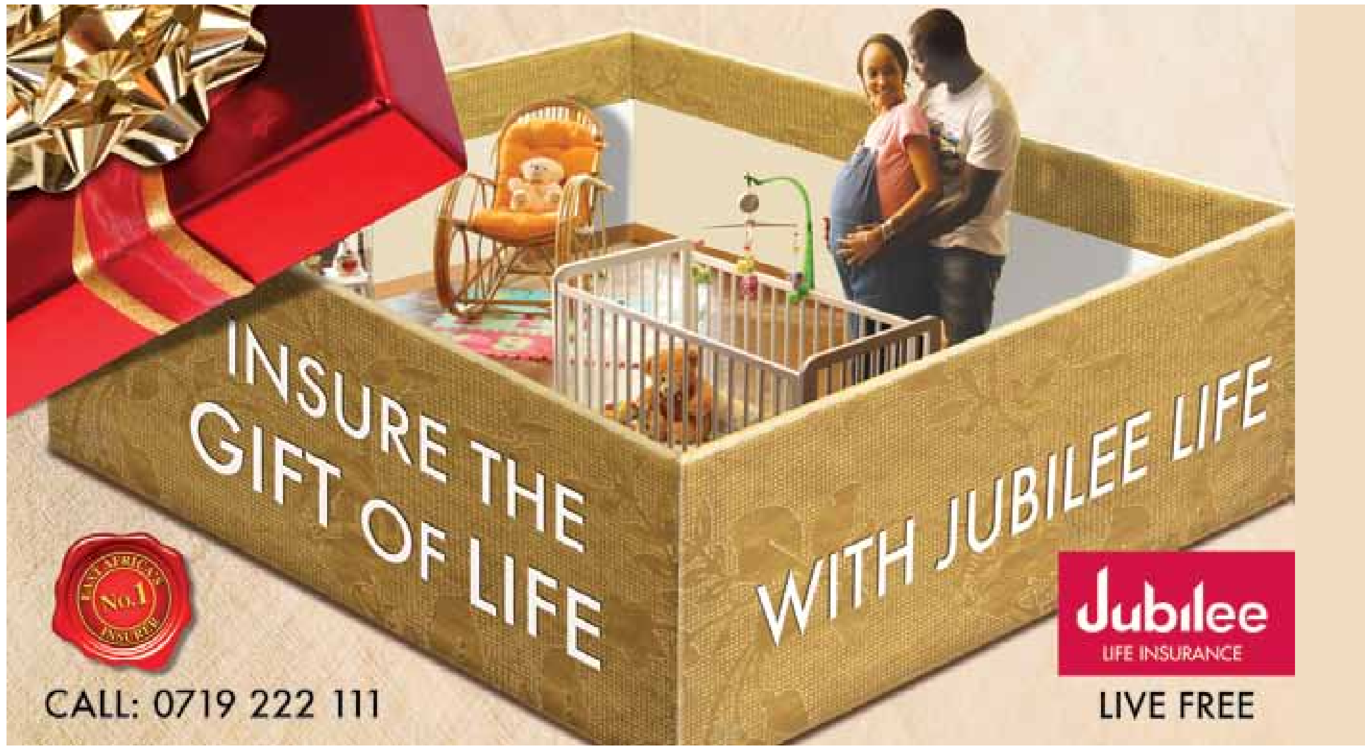

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ACHIEVEMENTS

AIBK Claims Award 2012

Overall winner of the Claims Settlement Award 2012,
by the Association of Insurance Brokers of Kenya (AIBK)

Insurance Awards 2012: 10 Awards

Overall Winner:
- Life Insurer of the Year
- Medical Insurer Underwriter of the Year
- Marketing Initiative of the Year
- Fraud Detection and Prevention Initiative of the Year
- The Risk Management Award

First Runner Up:
- General Insurer of the Year
- Claims Settlement Award
- The Socially Responsible Corporate Award

Second Runner Up:
- The ICT Award
- The Major Loss Award

NOTES

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