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About us

UAP Group (UAP) is a Pan-african Financial Services Group with interests in Insurance, Investment Management, Property Development and Investments, Securities Brokerage and Financial Advisory. Currently, UAP Group has 12 businesses operating in Kenya, Uganda, South Sudan, Democratic Republic of Congo and Rwanda, and is concluding a transaction to enter the Tanzania market.

Better. Simple. Life

Essential Reads

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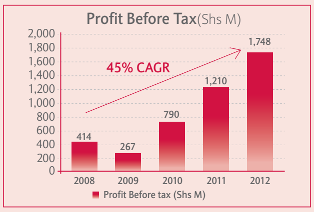

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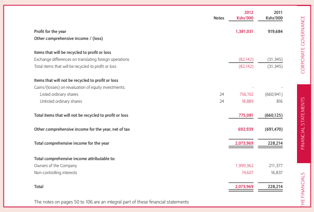

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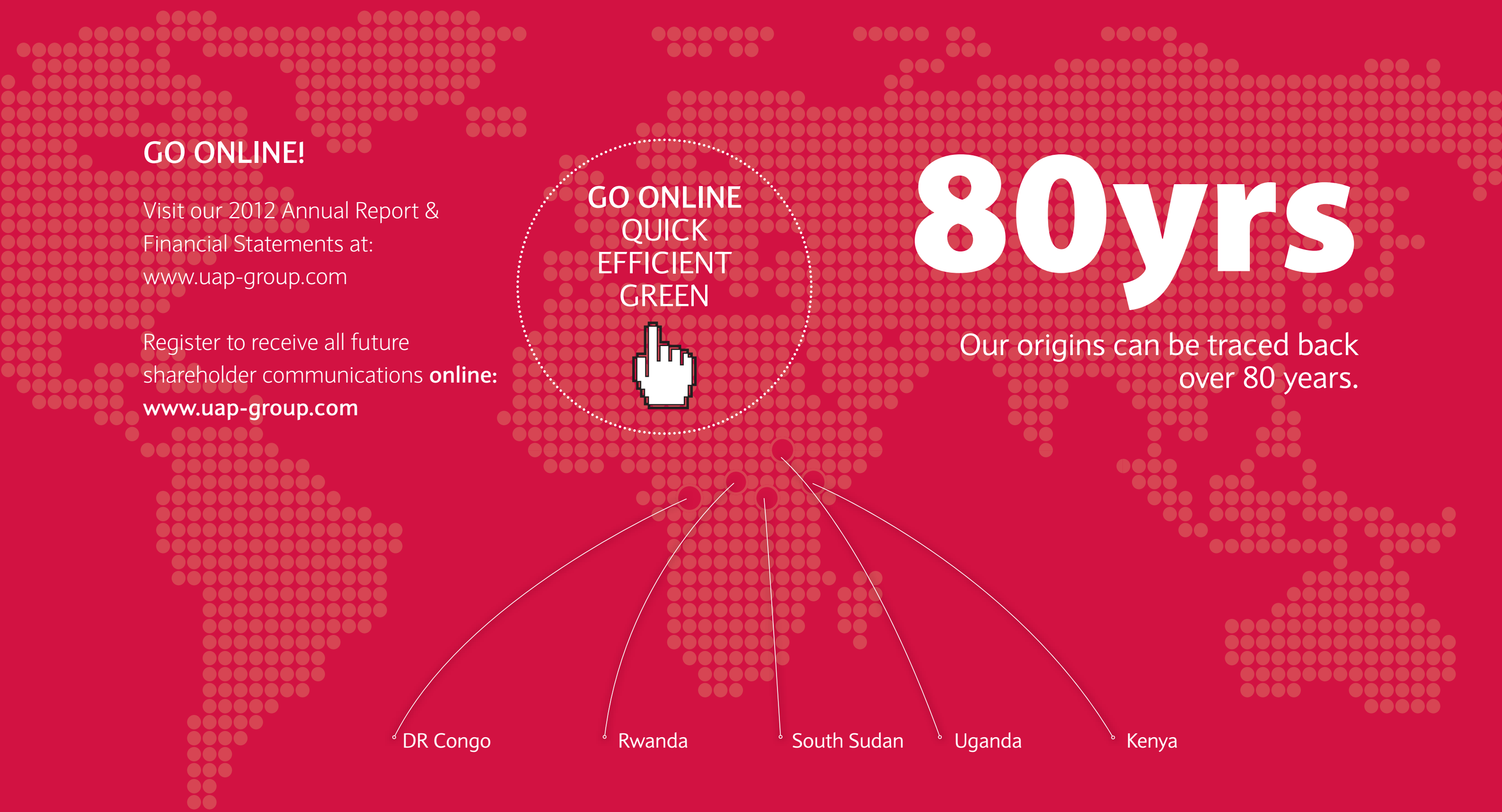
80yrs

Our origins can be traced back over 80 years.



Who We are

Our mission, vision and values outline who we are, what we aim to achieve, and how we intend to achieve it. They provide a clear direction for our company and help ensure that we are all working toward the same goals.

Our Vision

To be Africa's revolutionary financial services group.

Our Mission

To enhance quality of life by delivering peace of mind and financial freedom through an exceptionally motivated team that delivers what customers want - when and where they want it.

Our Corporate Values

- We build life long relationships
- We do what we say and say what we do
- We are a pleasure to deal with
- We are passionate about our work - and it shows!

Corporate Information

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Bank of Africa Kenya Limited.
CFC Stanbic Bank
Chase Bank.

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Board of Directors

SITTING • LEFT TO RIGHT: Candy Okoboi | Dr. Chris J Kirubi EBS | Dr. JB Wanjui CBS | James Muguiyi | Susan Omanga
STANDING • LEFT TO RIGHT: A.K. Maina | Davinder Sikand | Peter G. Njoka | Jonas Armtoft | James Mworia | George Odo | Skander Oueslati | DomInic Kiarie
INSET: Lotfi Baccouche | Susan Githuku | Sir. Gordon Wavamunno

Board of Directors’
(Biographies)

Dr. J. B. Wanjui CBS (Chairman) 76

Dr. J.B.Wanjui, the Chairman of the Board has a long and illustrious career in the Kenyan corporate scene, the most prominent being the Chief Executive and Chairman of East Africa Industries Limited (later became Unilever). He is a graduate of Ohio Wesleyan University, (BA Physics and Mathematics) and Columbia University, (MSC Engineering). He is the Chancellor of the University of Nairobi and is a past Chairman of the Board of Directors of CfC Stanbic Bank Kenya. He is also Chairman and Board member of a number of other Kenyan and international organisations. Dr Wanjui has been a director of the Company since 2007. He has been a Director of UAP Insurance Company Limited since 1986 and Chairman of the Board of Directors since 1998. In recognition of his exemplary service in making positive contribution in social and commercial sectors in Kenya, President Mwai Kibaki honoured Dr Wanjui with the prestigious Chief of the Order of the Burning Spear (CBS) of the Republic of Kenya

Dr. Chris J Kirubi EBS (Non - Executive Director) 72

Dr. Chris J. Kirubi is a leading Kenya entrepreneur who has vast Investments In the manufacturing, property management, media, insurance and Investment sectors of the economy. He is an alumnus of INSEAD Institute, France, Handles University in Sweden and Havard Business School, USA. He holds an honorary Masters in Business Administration from the Swiss Management Academy. He is the Chairman of Haco Tiger Brands Limited, The Capital Media Group, International House Limited, Kiruma International Limited, DHL Worldwide Express Limited, Nairobi Bottlers Limited and Smart Applications International Limited.

He serves as Vice Chairman of Coca Cola Juices Limited and Chairman of UAP Properties Uganda Limited. He is also a non-executive Director in Centum Investment Company Limited, Bayer East Africa Limited, UAP Insurance Company Limited and UAP Insurance Uganda Limited. Dr. Kirubi is passionate about making a difference in the lives of disenfranchised groups and is also involved in a number of social causes and sits on the Board of the Global Business Coalition on HIV / AIDS, Tuberculosis & Malaria. In recognition of his exemplary contributions to positive change in society, he has received the following awards: Elder of the Order of the Burning Spear of the Republic of Kenya (1999) and the National Order of Merit medal - French Government (2004).

James Muguiyi (Non - Executive Director) 69

James Muguiyi is the immediate past Managing Director of the Company, and the immediate past Group Managing Director. He was previously the Managing Director of UAP Insurance Company Limited, a position he held since 2001 and is now a non-executive Director, following his retirement. During his tenure as Group Managing Director, James oversaw the growth of the Group’s business and operations in Kenya, Uganda and South Sudan. He was also instrumental in the establishment of new operations in Rwanda, the Democratic Republic of Congo and Tanzania. James was responsible for the development of the property investments business within the Group which has seen the on-going developments in Kampala Uganda (UAP Nakawa Business Park), Equatoria Towers, Juba South Sudan and the iconic 31 storey UAP Towers in Nairobi.

As a promulgator of the establishment of the Group Holdings Company, James played a crucial role in overall business consolidation and better corporate governance. Between 1988 and 2001, as the Deputy Managing Director, he oversaw the merger of Provincial Insurance with Union Insurance to form UAP in 1994. James is a director of several companies in the East African region and Chairman of the Centum Investment Company Limited. He is a Fellow of the Institute of Certified Public Accountants of Kenya (FCPA (K)) where he was one time the Chairman. He is also a Certified Public Secretary (CPS (K)) and a Chartered Management Accountant (ACMA).

Prof. Gordon Wavamunno
(Non - Executive Director) 69

Professor Gordon Wavamunno joined the Board as non-executive Director in 2009 and has been the Chairman of UAP Insurance Uganda since 1988 (previously United Assurance Company Limited). He is a prominent international businessman who sits on several local and international boards and is a pioneer entrepreneur in Uganda, having successfully managed leading businesses including Spear Motors Limited, WBS Television and Wavah Water Limited. Prof. Wavamunno is also a recipient of several international awards including the Knight of Justice by HM The Queen of England, a honorary Doctorate in Business Administration (Nkumba University), honorary Research Fellow of Makerere University Kampala and a First Class Order of Merit of the Federal Republic of Germany, emeritus ward from the Republic of Hungary for his contribution to international economy and he was also included in the International Who’s Who of USA for the year 2012.

Board of Directors'
(Biographies Continued)

He is the Honorary Counsel to Uganda of the Republic of Hungary, Chancellor of Nkumba University and President of the National Urban Forum.

James Mworia (Non - Executive Director) 35

James Mworia is the Chief Executive Officer of Centum Investment Company Limited, the largest listed investment Company in East Africa. In 2011 he was the recipient of the Africa Young Business Leader of the year award. He is a CFA Charter holder, an Advocate of the High Court of Kenya, a Certified Public Accountant and a Chartered Global Management Accountant. He is a member of the CFA Institute, Institute of Certified Public Accountants of Kenya, Law Society of Kenya and the Chartered Institute of Management Accountants. In addition to UAP Holdings, James serves on several Boards and committees including the Capital Markets Authority Corporate Governance Committee and the Board of the Central Depository and Settlements Corporation.

Philip Coulson (Non - Executive Director) 46

Philip Coulson joined the Board of UAP Holdings Limited during the course of 2010. He is an Advocate of the High Court of Kenya and is also a qualified English solicitor. He practices as a commercial lawyer in Nairobi with Coulson Harney, Advocates, specialising in mergers and acquisitions. From 1994 to 2008 he worked with Kaplan and Stratton, Advocates. He is a member of the Law societies of Kenya and England and Wales and is also a member of the International Bar Association. Following the entry of the 3 major investors and the public offer by the Company, the Group's boards have been reorganised and Mr Coulson will be serving the Board of UAP Insurance South Sudan Limited.

Peter G. Njoka (Non - Executive Director) 42

Peter G. Njoka was appointed to the Board in April 2012. He is a Managing Director at The Abraaj Group and has over 16 years' experience in private equity and corporate finance in East Africa. Peter Njoka has been at the forefront of recommending investments and working with a number of companies across various sectors in which Funds managed by The Abraaj Group have participated. He is the Chairman of Deacons Kenya Limited, a Director of Athi River Steel Plant Limited and Seven Seas Technologies Limited, amongst other private companies. He also represents Aureos Kenya Managers Ltd (which is now part of The Abraaj Group) on the Board of Brookside Dairy Limited. He holds a Bachelor of Science Degree in Mathematics and Physics from the University of Nairobi.

Skander Oueslati (Non - Executive Director) 41

Skander Oueslati was appointed to the Board in May 2012 and is a Senior Partner with AfricInvest Tuninvest Group, a Pan-African private equity fund manager with primary responsibility for East Africa. He joined Africalnvest in 2008 and prior to that was the Head of Structured Finance at BMCE International in London. Before his work in the UK, he served for 8 years with the International Finance Corporation (IFC) in Washington DC. During his tenure at the IFC, Skander Oueslati focussed on investments in telecommunications, and infrastructure and executed IFC's first CFA denominated bond issue in West Africa. He holds a Master's Degree from Massachusetts Institute of Technology (MIT) based in Cambridge USA and Engineering Degrees from France's Ecole Polytechnique and Ecole Nationale de Ponts et Chausees.

Lotfi Baccouche (Non - Executive Director) 50

Lotfi Baccouche was appointed to the Board in September 2012. He is a partner at Parker Fitzgerald UK and a seasoned insurance executive with over 25 years of professional experience in Australia, Bermuda, Europe, Tunisia, UK and the USA. He has worked with both the European and the United Kingdom insurance regulators and has advised senior management teams and boards of major insurance companies in Europe. Lotfi Baccouche holds a Master of Engineering in Operations Research & Industrial Engineering from Cornell University, New York USA, and a BSc in Industrial and Operations Engineering from the University of Michigan USA.

Susan Nkirote Omanga (Non - Executive Director) 53

Susan is the CEO and founder of Exclamation Marketing Ltd. She previously served in senior marketing positions at Colgate Palmolive, Boots Kenya, Barclays Bank, and Standard Chartered. From 2004 - 2012 she served as a non-executive Director in the Group Board of KCB where she was also Chairman of KCB Foundation, Director S & L Mortgages for 2 years and Director KCB Uganda for 4 years. Susan sits on the Board of Longhorn Publishers and Coffee Board of Kenya. She is also an advisory board Member at the University of Nairobi's Green Horn Mentorship programme, a member of the Marketing Society of Kenya, the Public Relations Society of Kenya (PRSK) and the International Advertising Association (IAA). Susan holds an Associate of Applied Science Degree in Business Management from North West Community College, Powel, Wyoming and a Bachelor of Science Degree in Business Management with a Minor in Advertising from Rocky Mountain College in Billings Montana.

Board of Directors'
(Biographies Continued)

Jonas Armtoft (Non - Executive Director) 50

Jonas was appointed to the Board in March 2013 as an additional director. Jonas is a senior investment manager at Swedfund International AB and is currently heading the Swedfund Regional Office in Nairobi, Kenya. Jonas has a legal background and holds a Masters of Laws degree (LLM) from the University of Lund and a Law degree from the Queen Mary and Westfield College in London. Jonas has been working with investments and project finance since 1994 primarily in Kenya and Ethiopia but also in Latin America and Eastern Europe.

Susan Wakhungu-Githuku (Non - Executive Director) 53

Susan, a former Fortune 100 Corporate Executive turned entrepreneur, is the Founder and CEO of Human Performance Dynamics Africa, a boutique Organizational Development & Human Resources consulting firm based in Nairobi, Kenya. Before establishing HPD Africa, Susan worked at the Coca-Cola Company and was until December 2008 the Eurasia & Africa Group Director for Coca-Cola University. Prior to this role, she served as the Coca-Cola Africa Group HR Director based in London and Johannesburg. Susan spent 10 years working at a senior level in international non-governmental agencies including CARE, AERC and USAID and is knowledgeable in this sector. She is also the Founder and Publisher of Footprints Press Limited, an independent Kenyan based publishing house specializing in photographic coffee table books on Africa. She holds a Master's Degree in Development Economics from Strathclyde University, Glasgow, Scotland and Bachelor's Degrees in Economics and Psychology from St. Lawrence University, New York, USA. She serves on the Board of Diageo - East Africa Breweries and previously served on the Board of Kenya Women's Finance Trust and Zawadi Educational Trust. Susan is the Chairman of the Remuneration and Human Resource Committee.

Dominic Kiarie (Group Managing Director) 42

Dominic Kiarie was appointed as Managing Director of UAP Holdings Limited and Group Managing Director of the UAP Group on 1 January 2013 having served as Deputy Group Managing Director for the Group since August 2011. He was appointed as an Executive Director of the Company in September 2012. Prior to that, he worked with the British-American Group (now Britam) for 7 years as founding Chief Executive and Managing Director of British-American Asset Managers. Before that, Dominic worked in the investment banking and investment management fields in the United Kingdom, South Africa and Kenya, and in various Executive Directorship roles. He holds a Masters Degree in Finance from the University of Cambridge (UK), a Bachelor of Science Degree in Actuarial Science from The Sir John Cass Business School, City University, London, a Diploma in Actuarial Techniques and a Certificate in Finance and Investments both from the Institute of Actuaries, London. He has also attended numerous courses locally and abroad on leadership, strategy, corporate finance and investments. Dominic is the former founding Chairman of the Association of Collective Investment Schemes of Kenya (ACIS) and a member of the Council of the Fund Managers Association.

George Odo (Non - Executive Director)-Alternate 46

George Odo is the Managing Director of AfricInvest in East Africa and the alternate director to Skander Oueslati. He was appointed to the Board in May 2012 and carries over 20 years' experience in the fields of financial services, private equity, venture capital, agri-business and small and medium enterprise (SME) development. He serves on several Boards across various sectors including Brookhouse International School Limited Kenya, Alios Leasing Finance Zambia, Abacus Parenteral Drugs Limited Uganda, Kiboko Enterprise Limited Uganda, EFC MFI Tanzania, and the Danish Refugee Council for the Horn of Africa. George Odo holds an executive MBA from USIU/Columbia University, and a Bachelor of Commerce degree from Rani Durgavati in India. He is a Certified Public Accountant of Kenya and holds a Partnership Broker Accreditation from the United Kingdom.

Davinder Sikand (Non - Executive Director)-Alternate 54

Davinder is an Alternate Director to Peter Njoka in the Board. He is a Partner – with The Abraaj Group. Currently investing the US$381m Aureos Africa Fund primarily focused on growth companies across Sub-Saharan Africa and the Africa Health Fund with current commitment of US$105.4 Also managing US$ 40 million Aureos East Africa Fund, fully invested with 14 investments across East Africa and now in exit mode. Previously managed the Acacia Fund, a US$20 million fund for SME's in Kenya. Davinder has been with the company since its inception in 2001 and has over 24 years' experience in private equity and investment banking gained in the United States, Europe and East Africa. He holds an MBA from Kellogg School of Business, Northwestern University, USA and qualified with Association of Chartered Certified Accountants (UK).

The Subsidiary Directors'


James Wambugu


Hon. Ngenye Kariuki


Prof. Joseph Kimura


Betty Ann Mboche


Dr. William S Kalema


Zipporah Mungai


Andrew Kasirye


Dr. George Mutema

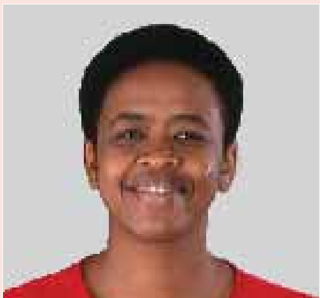

Patrick Kanyingi


Prof. Scopas Dima


Lony Duop


Jerim Otieno


Joseph Lesiew


Hannah Gitonga Mwangi


Prof. Patrick G.O. Weke


Richard Mugisha


Philip Coulson


Peace Uwase Masozera


Kamau Kuria


Wainaina Kenyanjui

The Subsidiary Directors'

(Biographies)

James Wambugu (Managing Director) 47

UAP Insurance Kenya

James Wambugu joined UAP in July 2003 and has been involved in the development of the Company's quality management systems, business expansion and strategy development. He previously worked for PricewaterhouseCoopers in Kenya and the UK, Lonrho Africa and African Lakes Corporation in the fields of audit, transaction structuring and support and risk management. He has extensive experience across many countries in Africa. He holds an MBA and Bachelor of Commerce degrees from the University of Nairobi and a diploma in Advanced Management Programme (AMP) from IESE Business School, Barcelona and Strathmore Business School, Nairobi. He is a Qualified Risk Manager (MIRM) and a Certified Public Accountant of Kenya (CPA (K)).

Prof Joseph Kimura 68

Non - Executive Director - UAP Insurance Kenya

Professor Kimura is an academician of high standing in the region. He holds a PhD in Accounting from University of California, Los Angeles, MBA from University of Alberta, Edmonton, Canada and a Bachelor of Commerce from University of East Africa. He is also a Fellow of the Institute of Certified Public Accountants of Kenya (FCPA (K). He is currently the Dean of School of Business, United States International University Africa and between 1999 and 2003 he was the director/CEO of the College of Insurance. Previously he worked with the Institute of Policy Analysis and Research, Institute of Accountancy, Arusha, Tanzania and was the Dean of the Faculty of Commerce, University of Nairobi. Professor Kimura is also a director of several other prominent companies among them BAT Kenya Limited and Development Bank of Kenya Ltd. He is also the Chairman of NDEKA, a conservation initiative for the Ndakaini Dam which supplies over 70% of water to the City of Nairobi.

Betty-Ann Mboche 48

Non - Executive Director - UAP Insurance Kenya

Betty-Ann Mboche is a graduate in Accounting from Ohio Wesleyan University, USA. She is currently the Chairperson of Bawan Group of companies. She has worked for Bawan as an accountant before briefly acting as Projects Manager and later Managing Director. During this tenure, she was instrumental in the growth of the portfolio of the business.

Hon. Ngenye Kariuki, CBS 67

Non - Executive Director - UAP Insurance Kenya

Hon. Kariuki is a shareholder of Ngenye Kariuki & Co Ltd. stock broking members of the Nairobi Securities Exchange (NSE). He has a Bachelor of Commerce (Finance option) degree from the University of Nairobi. He is a former Member of Parliament and a Cabinet Minister in the Government of Kenya.

He is the Chairman of board of Trustees of UAP Pension Fund. Before establishing Ngenye Kariuki & Co he worked in senior positions in Dyer and Blair (stock brokers), Family Planning Association and Kenya Engineering Industries. Hon. Kariuki was the Chairman of NSE for 12 years and is a director of many companies.

Zipporah Mungai (Managing Director) 43

UAP Insurance Uganda

Zipporah Mungai joined UAP Insurance Uganda in 2012 as the Managing Director. She holds a MSc Finance from the University Of Illinois at Urbana Champaign and a Bachelor's degree in Commerce (Insurance) from the University of Nairobi. She is a Chartered Insurer-Chartered Insurance Institute UK, Risk Manager- Chartered Institute of Risk Managers UK, She has over 20 years' experience in the Insurance industry in the Kenya and Tanzania markets.

Andrew Kasirye (Executive Director) 52

UAP Insurance and Properties - Uganda

Andrew Kasirye joined the Insurance Board in April 2005 and the Properties Board in July 2008. He holds a Bachelor of Laws degree from Makerere University and is a senior partner at Kasirye, Byaruhanga and Company Advocates. He is a past President of the Uganda Law Society, Vice-President of the East Africa Law Society and a Member of Parliament of the Buganda Kingdom. Currently, Mr. Kasirye is the Chairman of the Uganda Retirement Benefits Authority of Uganda, charged with overseeing a liberal and competitive retirement benefits sector in Uganda.

Dr. William S Kalema (Non-Executive Director) 61

UAP Insurance and Properties - Uganda

Dr. William S Kalema joined the Board in April 2005 and the Properties Board in July 2008. He is a business consultant and Country Managing Director of BDO East Africa. Among other roles, he is Chairman of African Agricultural Capital Limited, a Trustee of the Shell Foundation and a Trustee of the Investment Climate Facility for Africa. He holds Masters and Bachelor's degrees in chemical engineering from Cambridge University and a Ph.D. degree in chemical engineering from California Institute of Technology. From 1984 to 1991, he worked as a research engineer and as a business analyst in several divisions of the Du Pont Company based in Delaware, USA.

Dr. George Mutema (Non-Executive Director) 48

UAP Insurance Uganda

Dr. George Mutema joined the Board in May 2012. He holds a medical degree from Makerere University and a Ph.D. in Biomedical Science from Marshall University, West Virginia, USA and is a trained Oncologic Surgical Pathologist from Memorial Sloan Kettering Cancer Center, in New York.

The Subsidiary Directors'

(Biographies continued)

He is a partner at Southern Ohio Pathology Consultants, a 16-physician private practice in Cincinnati, Ohio. He is also a member of the Kampala Hospital Board.

Patrick Kanyingi (Managing Director) 61
UAP Insurance South Sudan

Patrick was appointed Managing Director in July 2006. He was previously Finance and Administration Manager, UAP Provincial Insurance Kenya since 1991 and Company Secretary since 2001. Prior to joining UAP he had worked for Tana and Athi Rivers Development Authority (TARDA), the National Irrigation Board and Githongo and Company Certified Public Accountants. Patrick is a member of the Institute of Certified Public Accountants of Kenya CPA (K) and the Certified Public Secretaries of Kenya CPS (K). He holds an MBA in Strategic Management from Newport University, USA.

Prof. Scopas Dima (Non-Executive Director) 66
UAP Insurance South Sudan

Professor Dima is an academic of high standing in the Eastern, Central and Southern Africa region. He holds a PhD in Agricultural Economics from Reading University England, UK, an MSc in Agricultural Engineering and Economics from Makerere University Uganda and a BSc (Agric) Honours from Makerere University, Uganda. He is currently an advisor to the Ministry of Agriculture of the Government of Southern Sudan. He has previously taught in various universities including University of Juba Sudan, Makerere University Uganda, Moi University Kenya, National University of Lesotho and University of Namibia. Professor Dima has also worked for various organizations and projects including being Principal Economist, Central Cabinet Economic Committee, Kampala Uganda; Director, Directorate of Agricultural Planning and Statistics, Ministry of Agriculture and Natural Resources, Equatorial Region Southern Sudan; General Manager, Equatorial Trading Corporation Equatorial Region, Southern Sudan, Juba. He is a director of various companies in Southern Sudan and Uganda.

Lony Duop (Non-Executive Director) 38
UAP Insurance South Sudan

Lony Duop has a diploma in International Relations from Sudan University of Science and Technology. He is currently working in the office of the Vice president, Government of Southern Sudan. He has previously worked with the Southern Sudan Government departments including Relief Assistance for South Sudan Head Office in Nairobi, Sudan Relief and Rehabilitation Commission (SRRC)

Jerim Otieno (Managing Director) 43
UAP Life Assurance Kenya

Jerim Otieno was appointed the Managing Director of UAP Life in October 2010. Between 2005 and 2008 he worked in UAP Insurance in various positions where he was involved in product innovation and systems implementation in the life department. Subsequently, he moved to UAP Life when the life business was spun off UAP Insurance in 2009. Prior to that, he headed the life operations in ICEA Uganda and worked for the Insurance Training and Education Trust and Jubilee Insurance. He is a Chartered Insurer, holds a Diploma in Life and Disability Underwriting from the Assurance Medical Society of London and a Certificate in Pensions Administration from the World Bank Institute. He is a graduate of the University of Nairobi with the Bachelor of Commerce degree and a graduate of the Advanced Management Program (AMP) of IESE Business School Barcelona and Strathmore Business School, Nairobi.

Joseph Lesiew (Non-Executive Director) 75
UAP Life Assurance Kenya

Joseph Lesiew is a business entrepreneur and farmer based in Eldoret. He is a life member of the Agricultural Society of Kenya, Red Cross and the Flying Doctors. He has previously served in the Local Government for over 18 years in various capacities including his tenure as Mayor of Eldoret Town during which various major business ventures were commenced in this region. He has received certifications from the Birmingham University and Strathmore Business School. He has been involved in various community projects over the years as the leader in institutions promoting the improvement of education, local infrastructure and community welfare. He is the current chairman of Kaptagat Girls High School and St. Patrick's High School among others and founder of the Eldoret Special School for mentally retarded children.

Hannah Gitonga Mwangi (Non-Executive Director) 40
UAP Life Assurance Kenya

Hannah joined the Board of UAP Life in July 2011. With over 15 years' experience as an advocate of the High Court of Kenya, she is the proprietor of Gitonga Mwangi & Company Advocates, a property and commercial law firm, and a founding partner of Jiwe Registrars. Hannah holds a Bachelors of Laws Degree with honours from the University of Nairobi. She is also a practising Certified Secretary and a Fellow of the Institute of certified Public Secretaries of Kenya (ICPSK). She has been, and continues to be involved in land law reform in the Country. Other areas of interest and involvement include mentoring of young people and leadership development.

Prof. Patrick G.O. Weke (Non-Executive Director) 40
(Non-Executive Director - UAP Life Assurance Kenya)

Professor Weke is an academician of high standing in the region. He holds a PhD in mathematical statistics from Harbin Institute of Technology, China, MSc from University of Nairobi and City University, London and a BSc in Mathematics, Statistics and computer science from the University of Nairobi. He is currently the Head of Actuarial Science and Financial Mathematics Divisions at the University of Nairobi School Of Mathematics.

The Subsidiary Directors'

(Biographies continued)

He sits in the Board of Trustees of the University Staff pension Scheme and is a member of the life Insurance Council Standing Committee on Kenyan mortality investigation. Prof. Weke is also the coordinator of East African Universities' Mathematics Programme. He is a member of the Institute of Actuaries (UK), Member, Actuarial Education Network, Member of International Biometric Society and also Member of The Actuarial Society of Kenya (TASK).

Richard Mugisha (Non-Executive Director) 43

UAP Insurance Rwanda

Richard is the Managing Partner of Trust Law Chambers, a leading Law Firm in Rwanda specializing in Corporate/ Commercial work, Commercial Litigation and Conveyancing. He is the partner in charge of transactions in Energy and Banking and Finance. Richard previously worked as the Procurement & Policy Manager, National Tender Board of the Republic of Rwanda. Richard holds a Masters in Laws (LLM) from the New York University School of Law, Bachelors of laws Degree and a Bachelors of Arts Degree from the National University of Lesotho. He previously served as the Chairman of the Business law Reform Commission of Rwanda, a member of the Financial Sector Development Plan Steering Committee, Member of the National Committee for Regional Integration and Member of the Disciplinary Committee of the Institute of Certified Public Accountants of Rwanda. Richard is a member of the Rwanda Bar Association and the East Africa Law Society. He is a fellow of the Africa Leadership Initiative and the Aspen Global Leadership Network.

Philip Coulson (Non-Executive Director) 46

Philip Coulson joined the Board of UAP Holdings Limited during the course of 2010. He is an Advocate of the High Court of Kenya and is also a qualified English solicitor. He practices as a commercial lawyer in Nairobi with Coulson Harney, Advocates, specialising in mergers and acquisitions. From 1994 to 2008 he worked with Kaplan and Stratton, Advocates. He is a member of the Law societies of Kenya and England and Wales and is also a member of the International Bar Association. Following the entry of the 3 major investors and the public offer by the Company, the Group's boards have been reorganised and Mr Coulson will be serving the Board of UAP Insurance South Sudan Limited.

Peace Masozera Uwase (Non-Executive Director) 35

UAP Insurance Rwanda

Peace is a finance & management consultant with over 11 years' experience in Banking, Finance, Accounting, Auditing and Administration. Peace started her career with PwC in Uganda where she served as an auditor for over three years before joining the Bank of Commerce, Development and Industry (BCDI) IN Rwanda as Head of Finance & Administration.

The bank was later acquired by Ecobank and she stayed on as Chief Finance Officer. She was seconded to Ecobank Guinea Bissau where she served in the same capacity before returning to Rwanda working as Finance Manager for Kivu Watt Limited. Since leaving Kivu Watt, Peace set up a management consulting firm, PAM Business Advisory, which majors in accounting & finance, tax, risk management & internal audit support as well as strategic planning. Peace holds a Bachelors of Commerce degree (Accounting) from Makerere University and is an ACCA Member, Certified Accountant. She is a founding member of the Institute of Public Accountants of Rwanda (ICPAR) where she currently serves as the Vice President of the Governing Council.

Kamau Kuria (Non-Executive Director) 52

Kamau Kuria is the Managing Director of Corporate Transformations Limited (CTL), a strategy execution and performance consultancy firm. He is a management consultancy professional and prior to founding CTL, he held positions as the University Secretary at Strathmore University and as the Head of Change for Barclays Bank of Kenya Limited. Prior to that he was the Managing Director of Quantum Consultants Limited, an independent consultancy company he founded in 1996. Before founding Quantum, Kamau was a Senior Manager in the Price Waterhouse East and Central Africa Consultancy practice. He is a member of the Institute of Certified Public Accountants of Kenya. Kamau holds a Master's degree in Business Administration from Concordia University, Canada and a Bachelor's degree in Electronic Engineering from Essex University, UK. Following the entry of 3 major investors and the public offer by the Company, the Group's boards have been reorganised and Kamau is serving as the Chairman of UAP Life Assurance Limited.

Wainaina Kenyanjui (Non-executive Director) 49

UAP Insurance and UAP Properties South Sudan

Wainaina is an entrepreneur with a demonstrated track record of leading real estate development companies' which focus on development of residential and commercial buildings in Kenya. Wainaina sits on various Boards and has previously served as a director of the Kenya Railways Corporation for 4 years. He also served as a director of the Privatization Commission of Kenya which presided over the privatization of Government ownership in Safaricom Limited, one of the most profitable companies in East Africa. Wainaina is a member and Chairman of the Bundume Investments Company Limited, a private equity fund in Kenya. Mr. Kenyanjui has a commitment to professional development and maintains affiliations with the Kenya National Chamber of Commerce and Industry, American Chamber of Commerce in Kenya, and Kenya Property Developers Association.

UAP Executive Management

UAP Holdings









UAP HOLDINGS

1. Dominic Kiarie - Group MD
2. AK Maina
3. Jackson Theuri
4. Carolyn Munyua
5. Gerishon Mwangi
6. Rosemary Brainerd
7. Wycliffe Obutu
8. Eric Kisaka
9. Candy O'koboi

UAP Uganda









UAP UGANDA

1. Zipporah Mungai - MD
2. Anthony Githuka
3. Linus Letting
4. Paul Nagemi
5. Allan Mafabi
6. Paul Muhame
7. David Serunkuma
8. Deborah Maitum
9. Patrick Ndonye - CEO, UAP FS

UAP Executive Management

UAP Insurance

1. James Wambugu - MD
2. Michael Oduor
3. Joseph Kamiri
4. Isaac Nzyoka
5. Agnes Mutahi
6. Rose Wahome
7. Winrose Kirima

UAP Life Assurance

1. Jerim Otieno - MD
2. Richard Marisin
3. Evans Ndirangu
4. Mwanzo Moseti
5. Wanja Kung'u
6. Samuel Aduke

UAP Investments

UAP INVESTMENTS

1. Anthony Mwithiga - GM
2. Joyce Gitau
3. Felistus Karanja

UAP Executive Management

UAP South Sudan

UAP Rwanda

UAP SOUTH SUDAN

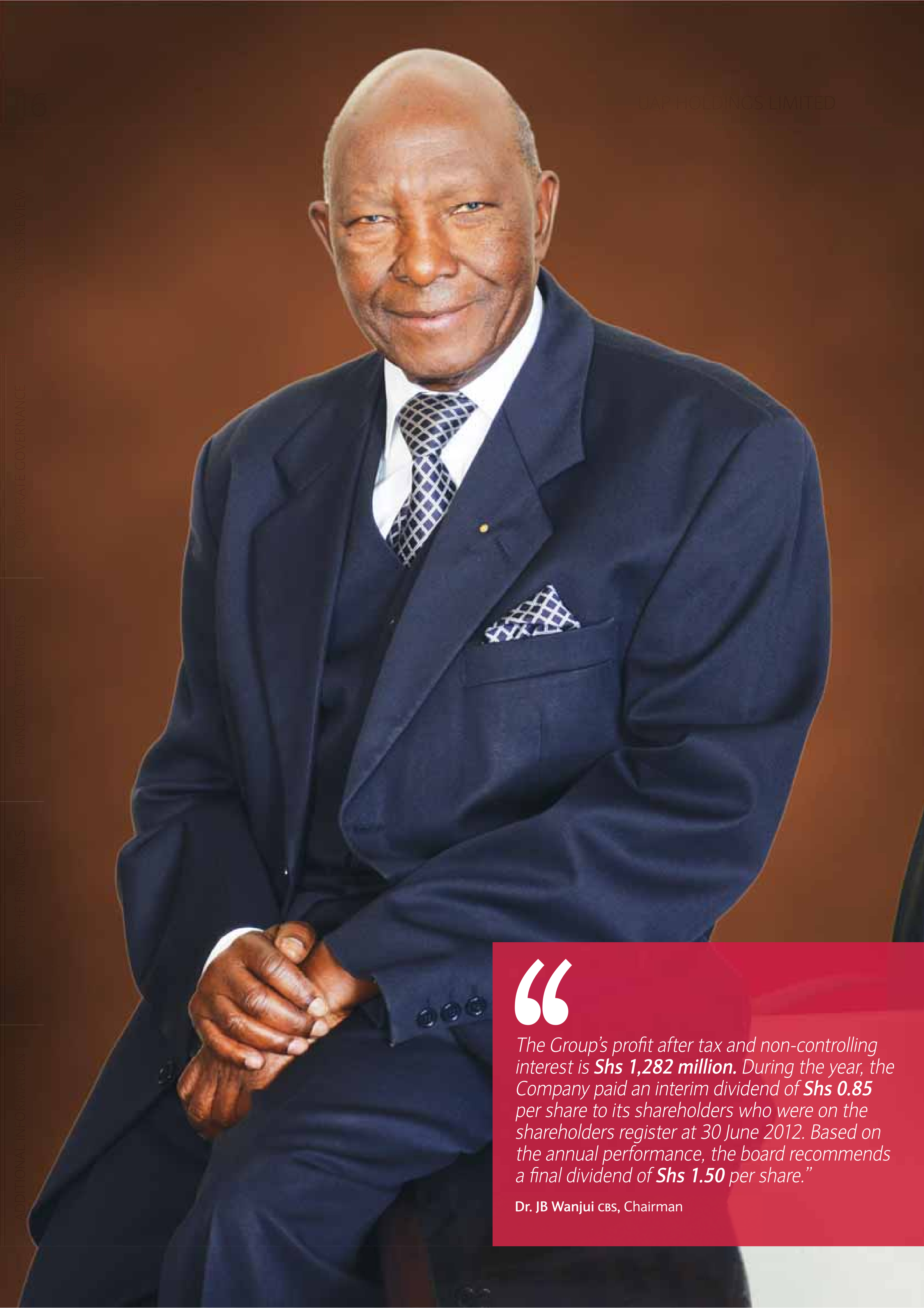
1. Patrick Kanyingi - MD
2. Antony Mwangi
3. Kris Mbaya
4. John Kiruti
5. Nicholas Malesi

UAP RWANDA

1. Pauline Wanjohi - CEO
2. John Njihia
3. Annie Nibishaka
4. Claudine Mukakibibi
5. Jackson Koome

The future ahead

a glimpse of the 31 storey UAP Tower coming soon



"The Group's profit after tax and non-controlling interest is ***Shs 1,282 million.*** *During the year, the Company paid an interim dividend of* ***Shs 0.85*** *per share to its shareholders who were on the shareholders register at 30 June 2012. Based on the annual performance, the board recommends a final dividend of* ***Shs 1.50*** *per share."*

Dr. JB Wanjui CBS, Chairman

Chairman's Statement

The GDP Growth in the Greater Eastern and Central African countries that we operate in was relatively stronger than the rate of the Global Economic growth. The countries that we operate in were relatively stable with Kenya (4.3%), Uganda (3.4%) South Sudan (3%), Rwanda (7.7%), DRC (6.6%) and Tanzania (6.5%) all recording growth.

Introduction

I am delighted to present to you the UAP Group 2012 annual report and financial statements. We achieved significant milestones in the execution of the Group's pan-African expansion vision. We completed a very successful fund raising processes which enabled us raise the necessary capital to support the geographic and business expansion of the Group. We increased the Group's share capital from Shs 600 million to over Shs 5.6 billion.

UAP Holdings also became a public company with the shareholder base of the Group increasing from 25 to over 950 shareholders. I take this opportunity to extend a special welcome our new shareholders.

We also concluded the entry into the Rwanda and DRC markets through the establishment of a general insurance company, Union Insurance Rwanda Limited and an insurance brokerage company, UAP SPRL RDC, respectively. We are at an advanced stage of completing our entry into the Tanzania market through an acquisition of an existing Insurance company. We are therefore on course to double our geographic footprint from 3 countries in 2011 to 6 countries.

Highlights

I would like to reflect on the key aspects that shaped our 2012 financial performance and provide an overview of the overall strategic direction that the group will take going forward.

Global view of economic and business environment

More than four years after the global financial crisis hit, high-income countries continue to struggle to restructure their economies and regain fiscal sustainability. The Global Real GDP growth reduced to 2.3% in 2012 from 2.7% in 2011 mainly as a result of reduced growth in the high income and developing countries. Mature economies are still healing the scars of the 2008-2009 crisis. But unlike in 2010 and 2011, emerging markets did not pick up the slack in 2012. Weaknesses in the major developed economies are at the root of the global economic slowdown.

From left: *former UAP Group Managing Director - James Muguiyi; Peter Njoka-Managing Director Abraal Group, Dr Joe B Wanjui CBS - Chairman - UAP Holdings Ltd; and Dr. Chris J Kirubi EBS - Non Executive Director - UAP Holdings Ltd.*

Most of the major developed economies, particularly those in Europe, are trapped in a vicious cycle of high unemployment, financial sector fragility, heightened sovereign risks, fiscal austerity and low growth. Several European economies and the euro zone as a whole are already in recession. Euro zone unemployment increased further to a record high of almost 12 per cent In 2012. Also, the US economy slowed significantly. Deflationary conditions continue to prevail in Japan. The economic woes in Europe, Japan and the United States are spilling over to developing countries through weaker demand for their exports and heightened volatility in capital flows and commodity prices. The larger developing economies also face home-grown problems, however, with some (including China) facing much weakened investment demand because of financing constraints in some sectors of the economy and excess production capacity elsewhere. Most low-income countries have held up relatively well so far, but are now also facing intensified adverse spillover effects from the slowdown in both developed and major middle-income countries

Africa continues to make its mark as the new frontier of global economic growth

African economies continued to outperform the more developed economies. The sub-saharan Africa region real GDP grew at 4.6% in 2012 compared to 4.5% in 2011.

Chairman's Statement
(Continued)

This is significantly higher than the global real GDP growth of 2.3%. Major factors underpinning the continued growth trajectory of the African economies include the strong performance of oil-exporting countries, continued fiscal spending on infrastructure projects, and expanding economic ties with Asian economies.

The GDP Growth in the Greater Eastern and Central African countries that we operate in was relatively stronger than the rate of the Global Economic growth. The countries that we operate in were relatively stable with Kenya (4.3%), Uganda (3.4%) South Sudan (3%), Rwanda (7.7%), DRC (6.6%) and Tanzania (6.5%) all recording growth. This growth presents a significant opportunity for continued expansion of our businesses.

Overall performance

The Group continues to record growth in revenues and profitability from both its core insurance operations and the related financial services, including investment in property.

The Group recorded a 25% growth in total insurance premium from Shs 7.2 billion to Shs 9.1 billion. Total income increased by 40% from Shs 6.8 billion to Shs 9.5 billion. Profit before tax increased by 44% from Shs 1.2 billion to Shs 1.7 billion. Our core insurance operations continue to be very profitable. This profitability has been complemented by good performance of our investment portfolios which indicates that the business diversification strategy that we have implemented continues to benefit our shareholders.

The Group's total comprehensive income increased from Shs 228 million to Shs 2.1 billion after taking into account the fair value gains on our general business equity investment portfolios which are classified at fair value through other comprehensive income. This was a 45% return on opening shareholders' funds.

From a segmental perspective, our general insurance business insurance gross premiums grew by 23% from Shs 6.6 billion to Shs 8.1 billion whilst the Life Assurance gross premiums grew by 44% from Shs 634 million to Shs 916 million. Total income from our new property segment increased by 60% from 281 million to Shs 450 million following the completion of the UAP Nakawa Business Park in Kampala.

Old property developments in the group continue to be carried as part of investment portfolios of the respective insurance businesses. The Group's net assets increased from Shs 4.7 billion to Shs 11.6 billion as a result of the good financial performance during the year and the capital injection during the year.

Governance and board performance

Your board has continued to discharge its duties diligently with the support of the company's subsidiary company boards. All the boards effectively carried out their board work plan for 2012 in accordance with the board charter and work plan for each board.

In recognition of the increased complexity of the Group's business, 7 new directors joined the UAP Holdings board. The new directors include Dominic Kiarie, UAP Group Managing Director; Peter Njoka, a partner at Aureos Kenya; Skander Oueslati, a senior partner at AfricInvest Tunivest Group; Jonas Armtoft, Senior Investment Manager, Swedefund International AB; Lotfi Baccouche, senior partner-Insurance Markets at Parker Fitzgerald, UK; Susan Omanga, CEO of Exclamation marketing Limited and Susan Wakhungu-Githuku, CEO of Human Performance Dynamics Africa. The new directors bring a significant wealth and diversity of skills and experience to your board of directors which will come in handy as we execute the next phase of growth in the company's business. The profiles of the new directors are set out on page 5.

Toasting to UAP OTC market launch: *From left, Dominic Kiarie - Dr Joe B Wanjui CBS, Paul Muthaura, James Muguiyi and Phillip Coulson.*

Chairman's Statement
(Continued)

We have also embarked on a project to review and modernise our board charter for UAP Holdings and all its subsidiary undertakings to take into account global best practices in order to prepare UAP Group to become a major international player in the financial services industry. Your board recognises that UAP Group is now a multinational Group growing out of Africa and hence needs to adopt international governance best practices at board level in addition to management best practices in order to become a successful global company.

All the directors have been provided with relevant training on corporate governance. More details on the operations of the board is provided in the statement on Corporate governance on page 34.

Results and dividends

The Group's profit after tax and non-controlling interest is Shs 1,282 million. During the year, the Company paid an interim dividend of Shs 0.85 per share to its shareholders who were on the shareholders register at 30 June 2012. Based on the annual performance, the board recommends a final dividend of Shs 1.50 per share. The total dividend payout for the year will therefore be Shs 2.35 per share (2011: Shs 1.7 per share) amounting to Shs 419,130 (2011; Shs 204,000). This is based on your board's assessment that we need to continue providing a cash return to our shareholders while retaining enough resources in the business to fund expected growth. Therefore Shs 863 million will be retained in the business for this purpose.

Future prospects and strategy

The continued growth in the Sub-saharan African region that we operate in provides a good opportunity for our business to grow. We have aligned our pan-African expansion strategy to take advantage of the emerging opportunities in the region. We will therefore continue to expand our operations across Africa. Towards this, we have commenced the process of evaluating and prioritising the next phase of future geographical markets that we intend to expand to. Our core business will remain insurance and related financial services, including property investments.

We will continue to expand our full range of products and services across all the markets that we operate in. We have also set up an investment management company in Kenya, UAP Investments and have staffed the company with very talented individuals to not only enhance the management of our internal investment portfolios, but to also offer innovative investment solutions to our customers.

We are in the process of obtaining an operating license for this business from the Capital Markets Authority. We will continue with the development of our flagship property developments in Kenya

Flexing muscles: *UAP staff during a Sports day event*

(UAP Tower) and South Sudan (Equatoria Tower). Our property development in Uganda was substantially complete by end of 2012 and we are in the process of letting office space to interested parties. We will continue to continuously review our operating structure and processes as part of continuous improvement. Our goal is to ensure that we continue to provide world class services to our customers and other stake-holders.

We also continue to build a team to support the growth strategy that we have in place. Towards this goal, we launched a graduate management trainee programme in early 2013 which is geared towards growing leaders for current and future UAP businesses. This programme has been implemented across all the markets that we operate in.

Appreciation

I would like to thank our shareholders for their continued support, my fellow directors for their wise counsel and the Management and staff for their hard work that is taking our Group forward.

I would also like to record special thanks to Mr James Muguiyi, the immediate former Group Managing Director of UAP Holdings, who retired at the end of 2012. James has been with UAP for over 30 years and led the group through a period of significant growth and achievement. James remains part of the UAP family as a non-executive director of UAP Holdings and a number of our subsidiaries. As part of the Group's succession planning, James has been working with his successor, Dominic Kiarie for the last 1 1/2 years. Having interacted with Dominic, I have no doubt that he will be able to lead the UAP Group Management Team through the next phase of its growth.

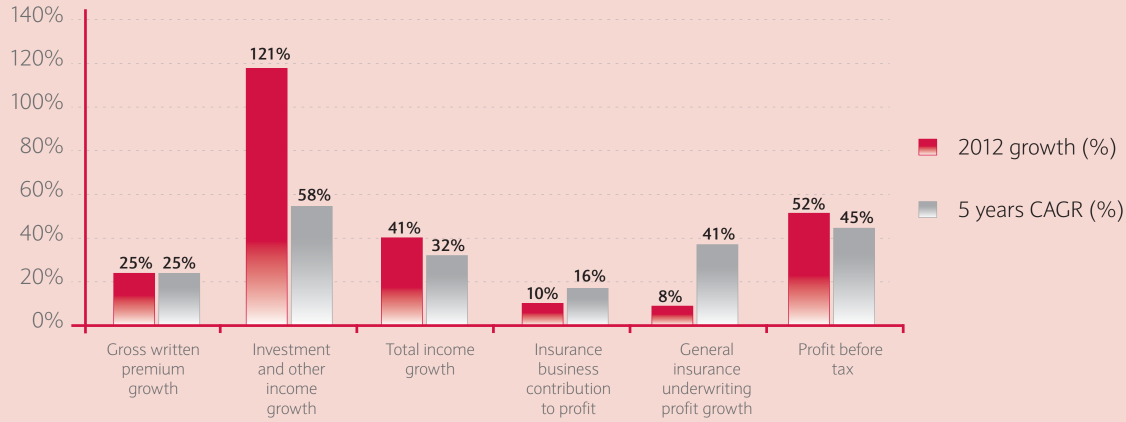
Dr. JB Wanjui CBS
Chairman
26 April 2013

> *During the year, the Group successfully completed a capital raising of US$ 55 million (Kshs 4.7 billion) from 3 private equity investors and an additional US$ 9 million (Kshs 750 million) through a Public Offer of UAP shares which closed in December 2012 with a 130% subscription.*

Dominic Kiarie, Group Managing Director

Group Managing Director's Report

OUR OUTLINED KEY PERFORMANCE HIGHLIGHTS



I am delighted to present to you a review of the Group's performance and operations during the year 2012.

Strong Performance

Despite a challenging business environment, the performance of the Group was strong with the highest level of the revenues and profitability achieved to date. In particular:

- Gross insurance premium revenue was up 25% to Kshs 9.1 billion from Kshs 7.2 billion.
- Total income increased by 40% to Kshs 9.5 billion from Kshs 6.8 billion.
- Total insurance business contribution increased to Kshs 2 billion.
- Total assets were up 70% to Kshs 24.6 billion.
- Profit before tax increased by 44% to Kshs 1.75 billion.
- Earnings per share increased by 34% to Kshs 9.83 per share from Kshs 7.35 per share in 2011.

As a result of the strong performance and enhanced balance sheet, the dividend payout increased by 55% with the dividend per share increasing by 38% from Kshs 1.70 per share in 2011 to Kshs 2.35 per share in 2012. During the last 5 years, the Group has achieved a 25% compounded annual growth rate (CAGR) in gross insurance premium revenues, while total income grew at 32% CAGR over the same period.

The above performance has been driven by enhanced and prudent underwriting of insurance risks, robust investment strategy and control of expenses.

It also re-affirms that our business and geographical diversification strategy, which was supported by the capital raised in 2012, is yielding positive benefits. However, Management team will continue to enhance execution of the corporate and business unit's strategies to continue delivering strong and sustained growth in revenues and earnings in future.

Integrated Financial Services Group

The transformation of the UAP Group from a general insurance underwriter to an integrated pan-African Financial Services Group, a journey which begun over 8 years ago, is on track. During the last 18 months, the execution of the pan-African expansion strategy has been accelerated with entry into the Rwanda and Democratic Republic of Congo (DRC) markets completed during the year. Currently, the Group is in the final stages of entering the Tanzania market.

In December 2011, the Group Board approved a 3 year corporate strategy which provided clarity on areas of business focus, growth into new markets and leveraging of synergies amongst all subsidiary companies. The key areas of business focus for the Group is in 3 key segments of the financial services industry: Insurance, Investment Management and related Financial Services, including Property Investments and Developments. The focus for our insurance business includes general insurance (property and casualty insurance), medical insurance and life insurance and savings.

Currently, the Group owns 11 subsidiaries operating in the 5 markets which we currently have a presence i.e. Kenya, Uganda, South Sudan, Rwanda and DRC.

The subsidiaries which transact insurance business companies are 5, Investments 3, Property 3 and one insurance brokerage in DRC.During 2012, we incorporated a wholly-owned investment management subsidiary, UAP Investments, which will provide fund management and investment advisory services to the Group's businesses and third party clients. As a Group with a core focus in insurance business, it is critical that we develop strong capabilities in investment management to be able to deliver strong returns on all investment portfolios for our operating subsidiaries. An initial team has been recruited together with a General Manager, and we are now awaiting the issuance of a license by Capital Markets Authority in order to commence operations.

The Group has a core focus on property developments and investments as part of the Group's Investment Strategy. A key plank of this strategy is to achieve diversification amongst key asset classes and ensure a balanced and optimal investment portfolio. Property, as an asset class, delivers strong and stable returns and acts as a hedge against inflation. Currently, the Group's is undertaking 3 landmark property developments in Kenya, Uganda and South Sudan at different stages of completion. Going forward, a comprehensive Real Estate Strategy is being put together to ensure the Group takes advantage of strong opportunities in key segments of the property market including commercial, industrial, housing, hotel developments, amongst other. A strong structure is being put together to ensure efficient execution of the real estate strategy and deliver on the both the development side and funding for potential future projects.

The Group has exposure to stockbroking business through UAP Financial Services, a business based in Kampala, Uganda, which was acquired in end of 2010. UAP Financial Services has a seat on the Uganda Securities Exchange and is licensed by the Capital Markets Authority. The Management team has been implementing a turn-around strategy approved by the Board to refocus the business to both stockbroking and fund management opportunities in Uganda. Stockbroking business is complementary to the fund management business and the intention is to carefully review opportunities of establishing stockbroking business in markets where we have an established fund management operations. As we pursue the execution of an integrated Financial Services model, where customers will consider UAP as a one-stop-shop for all their financial services needs, we are strengthening our relationships with key banks in all markets which we are operating. We believe that over the long term a potential partnership with a bank to take advantage of Bancassurance opportunities can be strengthened through acquisition of a strategic stake in a bank with a regional presence. We therefore continue to review potential acquisition opportunities and hope to conclude a transaction in the next 12 months.

Strategy in Action

The leadership team continues to ensure efficient execution of the Group's corporate strategy and the operating subsidiaries' business unit strategies to deliver on the commitments made and business objectives.

During the year, we focused on 3 new market entries as part of the Group's strategy to enter one new geographical market every 18 months. We obtained an operating licence to enter Rwanda in August 2012 and began operations in November 2012, while in December 2012 we obtained a license to transact insurance brokerage business in DRC. We are currently in the final stages of setting up in DRC and intend to commence operations shortly. We also worked on an acquisition opportunity to enter the Tanzanian market and are currently in the final stages of closing the transaction.

The Group Management, working with the leadership teams of the various subsidiaries, have worked to refocus each of the operating subsidiary and to ensure alignment and leverage of synergies. Key focus has been on the turn-around of the Life Insurance business in Kenya and Uganda by developing strong capabilities in individual life distribution, operational efficiencies and enhancing the product range; refocus of the UAP Financial Services business in Uganda to take advantage of emerging opportunities in fund management and stockbroking; and setting up of a Life Insurance operation for UAP Insurance South Sudan to begin offering life insurance products and services in the South Sudan market.

During the year, the Group successfully completed a capital raising of US$ 55 million (Kshs 4.7 billion) from 3 private equity investors and an additional US$ 9 million (Kshs 750 million) through a Public Offer of UAP shares which closed in December 2012 with a 130% subscription.

The Group Managing Director's Report

(Continued)

The capital raised has strengthened the Group's balance sheet while laying a stronger foundation for strong and sustainable growth of the Group's businesses.

As part of managing cost and leveraging synergies, the Group operates a Shares Services Centre which ensures that common services required by the operating subsidiaries are provided centrally and not replicated in each company. During the year, concerted efforts were made to streamline key support functions to enhance delivery of services. These included Actuarial, Risk & Compliance, Internal Audit and Legal Services. A comprehensive review of the Information and Communication Technology (ICT) function is being carried out to ensure the function is strongly positioned to support the Group's businesses in all key areas.

A review of the Human Resource function is underway to ensure it is strengthened to deliver on the Group's HR strategy of recruiting, developing and retaining talent and being the employer of choice in all the markets we operate in. The Group Marketing and Corporate Affairs function is also being streamlined through recruitment of dedicated resource to support the function.

Leveraging on key IT platforms and applications is critical in driving strong operational efficiency and therefore delivering high levels of customer service. During the year, an Enterprise Resource Planning (ERP) system, Microsoft Dynamics, was commissioned. Certain challenges were experienced during the implementation; however, key learnings will be incorporated in future deployment of IT systems. The ERP system, which currently has three modules for financial, customer relationship management and human resources, is expected to enhance operational efficiencies in the three core functions.

Currently a strategic review is being carried out on the core insurance application systems to ensure that the systems are adequate to support the growing businesses in the medium to long term.

The execution of the 3 landmark real estate developments in Kenya, Uganda and South Sudan is on track with expected completion in May 2013 for UAP Nakawa Business Park in Kampala, Uganda and UAP Apartments in Juba, South Sudan.

In 2011, UAP Properties was set up as separate business unit of the Group to provide focus and scale in real estate developments. Prior to that, property developments and investments were held on the balance sheet of the insurance subsidiaries, which constrained the scale and scope of future developments. Each property development is under a Special Purpose Vehicle (SPV) domiciled in the country where the development is taking place.

In Kenya, UAP Properties Kenya is the developer to UAP Tower, a 31 storey landmark commercial development in the Upper Hill area of Nairobi. The development has progressed reasonably well with on-going engagement of the entire team of consultants and main contractor to ensure successful completion of the project.

In Uganda, UAP Properties Uganda is the developer to UAP Nakawa Business Park, an 8 storey of 4 towers commercial development. During the year, we substantially completed the development, currently the largest business park in Kampala, Uganda. Final completion is expected in May 2013 and we are currently finalising engagement with prospective tenants.

In South Sudan, UAP Properties South Sudan is the developer of UAP Equatoria Tower, a 15 storey commercial development in Juba, South Sudan. Significant progress was made on the development despite initial challenges of mobilization which has now been fully resolved. The development is expected to be substantially completed in October 2013 with final completion following fit outs expected by end of 1st quarter 2014.

The above property developments are expected to contribute additional income to the Group and provide additional diversification of the Group's revenues.

Segmental Performance

General Insurance

Currently, UAP operates stand-alone and composite insurance companies transacting general insurance business in Kenya, Uganda, South Sudan and Rwanda. The Uganda business is a composite insurer but currently going through a demerger of the Life Insurance operations as required by regulations. This demerger is expected to be completed before end of 2013.

The Group Managing Director's Report
(Continued)

The Group's general insurance businesses performed reasonably well with 23% growth in gross written premiums. UAP Insurance Kenya contributed Kshs 5.93 million or 73% of total general insurance premiums of Kshs 8.14 billion.

The growth of the general insurance business was driven mainly by prudent underwriting, roll-out of innovative products and services, and enhanced customer service.

During 2012, our insurance businesses in Kenya and Uganda won industry awards namely General Insurer of the Year Award and Best Insurance Service Provider of the Year Award respectively.

The key performance highlights of our insurance business are set out below:

	GROSS INSURANCE PREMIUM REVENUE			UNDERWRITING PROFIT		
General Insurance	**2012 Shs'000**	**2011 Shs'000**	**% Growth**	**2012 Shs'000**	**2011 Shs'000**	**% Growth**
UAP Kenya	5,925,796	4,715,514	26%	561,882	501,225	12%
UAP Uganda	1,382,030	1,272,604	9%	66,351	121,628	-45%
UAP South Sudan	827,333	630,543	31%	61,208	17,099	258%
UAP Rwanda	6,498	-	-	1,098	-	-
Total general insurance	**8,141,657**	**6,618,661**	**23%**	**690,539**	**639,952**	**8%**

Life Insurance

Life Insurance business is currently carried out in Kenya by UAP Life Assurance and in Uganda through UAP Insurance Uganda.

A key focus during the year was the turn-around of the life Insurance business and enhancing its core capabilities in order to compete effectively in the market. The performance of the Group Life Insurance business was good; however, more effort will be made to strengthen the core capabilities of the Individual Life business by enhancing the distribution capabilities, operations and product range.

The Life Insurance operations of UAP Insurance Uganda will be demerged in line with Ugandan insurance regulations which require separation of life and general insurance business. A Working Group was formed in 2012 to facilitate the demerger process and has made progress on the process. We expect the entire process to be fully completed by the end of the year with the life insurance company operating as a stand-alone entity.

Efforts are being made to continue refocusing the life insurance operations and ensure critical mass is developed quickly. These include development of new profitable products, enhancement of client services, development of strong distribution capabilities, amongst others.

The Kenya Life Insurance business contributed 82% of the total life insurance gross premiums. Plans are underway to establish fully-fledged life insurance operations in South Sudan and Rwanda.

The Group Managing Director's Report
(Continued)

Outlined below is the performance of the life insurance business:

Life Assurance	GROSS PREMIUM REVENUE 2012 Shs'000	2011 Shs'000	% Growth	PROFIT BEFORE TAX 2012 Shs'000	2011 Shs'000	% Growth
UAP Life Kenya	749,879	455,093	65%	245,645	(336,160)	173%
UAP Life Uganda	165,879	179,386	-8%	(22,217)	(1)	
Total Life Assurance	**915,758**	**634,479**	**44%**	**223,428**	**(336,161)**	**166%**

Investment Management

The Group's Investment Management business is carried out through UAP Financial Services in Uganda. As outlined above, we have also incorporated an investment management subsidiary in Kenya, UAP Investments Limited. We are in the process of obtaining a fund management license from the Capital Markets Authority (CMA) in order to commence operations in Kenya. UAP Investments will leverage on opportunities in the market to provide a range of investment products and services across all markets which UAP Group is operating.

During the year, we re-organized UAP Financial Services and injected additional capital in the business and we are in the process acquired a controlling interest in the business. Consequently, UAP Financial Services is now a subsidiary of UAP Holdings. We intend to re-launch this business to take advantage of the significant opportunities in Uganda's Financial Services industry.

Investment management business recorded a loss of Kshs 27 million in our 2012 financial statements. This is mainly as a result of initial set up costs of the business and costs of setting up critical resources and systems to place the business on a strong platform for future growth and profitability.

Property Investments and Development

In 2012, we substantially completed the development of UAP Nakawa Business Park (a development of 4 8-storey blocks of prime office space), the largest business park in Kampala, Uganda. We also progressed the development of property projects in Nairobi, 31-storey UAP Tower, and in Juba, 15-storey Equatoria Tower, which will be the largest commercial development in Juba. Equatoria Tower and UAP Tower will be completed in early 2014 and early 2015 respectively.

When complete, these land mark properties will have a lettable space of over 650,000 square feet and will provide further diversification to the Group's income streams. In addition, the UAP Properties arm will continue identifying other suitable opportunities to add value to the property market in all the countries that we operate in, including improvements to our current property portfolio.

> “Our property business contributed Kshs 427 million (2011; Kshs 280 million) to our profit before tax.”

Operating Performance

Customer Experience

We place a huge emphasis on the level of our customer experience. Our philosophy is that customers are willing to pay for competitively priced products and services which deliver value. Our view is that the rate undercutting experienced in the general insurance industry is not sustainable over the long term. We therefore continue to invest heavily in improving our customer service experience. Key initiatives implemented in this regard include development of innovative products and services, enhancing operational efficiency to deliver strong customer service, amongst others.

During the year, we launched three new medical insurance product; Afya Imara County, Afya Imara Seniors and Afya Imara Junior in response to customer demands for solutions currently not being offered by the market to certain segment of the population. In addition, we continue to enhance and simplify a number of our insurance solutions to make them easier for our customers.

The Group Managing Director's Report
(Continued)

To enhance the delivery of our products nationally, we have increased our branch network and enhanced our distribution model across our markets in Kenya, Uganda, South Sudan and Rwanda. We have also spent considerable time and resources supporting our intermediary partners with training and support in order to assist them reach more clients. Through our innovation center, we are constantly looking for ways to improve delivery of our solutions to our customers. We are currently working on revamping our mobile phone distribution platform for SalamaSure, to deliver more products and services and enhance choices to our customers.

To improve on the level of customer experience, we have invested in a new Customer Relationship Management (CRM) system which was commissioned in February 2012. Coupled with our paperless office which is now fully established we should see not only more efficiency but a significant Improvement in our customers' experience. We shall continue listening to our customers and investing to improve their experience.

Expenses Management

We continued the rollout of various initiatives to enhance efficiency of our operations including use of shared services, paperless office and simplification of processes to remove wastage. These initiatives contributed positively to the execution of our strategy on management of expenses, and resulted in cost savings without compromising on the quality of our business controls and customer experience.

Our People

We believe that our people are a key pillar to the successful execution of our group strategy. Talent management is therefore a key area of focus by the Group's Board and Management. Many of our managers and staff have received high quality training both locally and overseas through our elaborate training plan for all staff. We have also developed and roll-out a performance management system that sets key performance benchmarks which when achieved result in enhancement of business performance and reward to staff aligned to the performance achieved. We shall continue to invest in our people to ensure they achieve their maximum potential whilst working for the UAP Group. In early 2013, we launched a Graduate Development Program (GDP) which involves recruitment of new graduates from universities in all the markets we operate in and putting them through an accelerated 18-months development programme.

We are also finalising the development of a Management Development Programme (MDP) and a Leadership Development Programme (LDP) for UAP Staff.

Key Achievements

We continued to record various achievements with some of the highlights in 2012 being;

- We maintained our upgraded management system during the year and maintained certification to the higher ISO 9000:2008 standard in Kenya. The Uganda business ISO certification was also maintained.
- In Kenya, we retained our strong credit rating; AA- by Global Credit Rating (GCR), which is the highest rating in the region on which our customers should draw confidence. Our Uganda business retained its strong A+ rating whilst in South Sudan, we retained a strong A- rating on claims payment ability from Global Credit Rating and we remain the only rated insurance Company in South Sudan.

I would like to highlight the following awards that the UAP teams across the region won during the year 2012:

1. Kilimo Salama, our weather index insurance product, won the Technology in Sustainable Finance Award during the 2012 Financial Times/International Finance Corporation Sustainable Finance Awards held in London.
2. Development of mobile telephony distribution in Africa as a result of our Salamasure insurance cover.
3. UAP Insurance Uganda won Best Insurance Service Provider of the Year award during the 2013 Uganda Responsible Investment Award. This was in recognition of our contribution towards the attainment of United Nations (UN) Millennium Development Goals in Uganda and promoting and upholding International Best Practices and Standards.
4. Our Kenya Insurance Business won the following awards during the Kenya Best Insurance Company Awards:
   - Winner of General Insurer of the Year Award
   - Winner of ICT User of the Year Award
   - 2nd Runners-up- Medical Underwriter of the Year

These awards demonstrate UAP team's commitment to continuously improving our customer experience.

The Group Managing Director's Report
(Continued)

Leadership Transition

On 31 December 2012, Mr. James Muguiyi retired as the Group Managing Director after giving distinguished service to the Group for over 30 years. However, he continues to serve the Group in various capacities as a non-Executive Director. On behalf of the management team, I would like to pay tribute to the support, guidance and immense contribution he has made to the business over the years.

I was humbled and honoured when the Board gave me the opportunity to serve the Group as the next Group Managing Director effective 1 January 2013. No doubt, the task ahead of us is immense, however, I am very committed to ensuring we build an outstanding pan-African Financial Services Group that is second to none in pursuit of our vision of being the most revolutionary Financial Services Group in Africa. I look forward to working with the entire leadership team, both management and the Board, to make this vision a reality and to deliver outstanding value to all our shareholders.

Future Prospects and Strategic Initiatives

We see exciting opportunities to grow our business in all the markets that we operate in. In particular we will continue to take advantage of the comparatively higher growth in key markets in Africa by continuing to expand our business to such markets.

We have put in place a process of continuously evaluating geographical markets that the UAP Group should expand to in the next five years. We also have in place a robust strategic plan that not only identifies the criteria for entering each market, but also sets out the time frames and resources required for each market. We plan to complete our entry into the Tanzania market by May 2013 through an acquisition of an existing insurance business.

We will also continue investing in system and process improvements to enhance our customer experience and also ensure that we continue to operate efficiently.

The key focus in the first part of 2013 will be the integration of new businesses in Rwanda, DRC and Tanzania into the group, including the streamlining and simplification of processes and controls across all group entities as part of our continuous improvement. As part of this, we will pay special attention to the full rollout of our CRM platform, which is a key pillar of our overall customer experience strategy.

We will also focus on strengthening the new businesses in the Group, including Investment Management and Property businesses in order to enhance their capability to maximize future shareholder value in the Group. We are in the process of implementing a best of breed Investment Management System to provide our highly skilled Investment Management Team with adequate tools to provide world-class customer experience and highly innovative investment management solutions.

We are also in the process of strengthening our management capacity in the Property Division in order to execute efficiently our real estate strategy and take full advantage of the significant opportunities available to the property business in the region.

We will continue to recruit, develop and retain highly talented staff to ensure that we have sufficient resource pool to support the continued expansion of our business.

Appreciation

I would like to thank all our staff for the support, commitment and effort made in achieving the good performance. I also recognise and appreciate the Board's input, guidance and wise counsel in running our business. I would like to pay tribute to all our business partners including our intermediaries who continue to support us in a great way. We appreciate this and assure them of our best service at all times.

I also wish to thank all our esteemed customers for the faith they have in the UAP brand and the support provided during the year. We look forward to meeting and exceeding all your expectations.

Finally, I wish to appreciate and thank all our shareholders for their continued support to the growth of our businesses and assure them of our strong commitment to deliver outstanding value on their investment.

Dominic Kiarie
Group Managing Director
26 April 2013

Sustainability

Our Corporate Social Responsibility

The UAP Group of companies believes that sustainability is a journey and not a destination. We prioritize the quality of the relationships we have with our customers, our employees, and our partners and suppliers. It is a combination of respectful relationships and positive actions that we engage in to establish a foundation for sustainable business practice.

We continue to integrate the broader meaning of the word "sustainability" into every aspect of our business and try to make changes each and every day that will benefit the community. We recognize and perform the obligations we have towards our people, investors, customers, suppliers, industry players and the community as a whole. We believe our reputation, together with the trust and confidence of those with whom we deal, to be one of our most valuable assets. In doing so, we always assess the probable impact of all our decisions and activities on these stakeholders beyond profits, dividends and other financial factors in the short, medium and long term.

Industry sustainability

Over the years, the UAP Group has grown in both brand and business stature to be considered a key industry influencer in the East African region. We consider the critical duty of bringing up a sustainable industry primary because that way, themes related to our core businesses become central drivers of social and economic thinking and behavior.

We continue to attach a high level of importance to compliance and cooperation with industry regulators and umbrella associations for the common good of our people, the community and the economy.

We fully support the initiatives by the industry regulator including those aimed at strengthening the insurance profession and building national capacity by growing the talent pool of trained insurance agents. Our brand mantra is about simplicity and in remaining true everything about our products, processes and people is simple.

We continue to decode the technical policy document by simplifying the language and demystify insurance by listening to the market and developing solutions that respond to customer needs.

We have taken to replicating the customer experience center located at the head office across the branch offices in the major cities and towns to deliver a consistent service and feel wherever our customers are.

Public education and consumer outreach is still central to our sustainability mission. We encourage members of the public to live their lives in a manner that is always cognizant of risk. We firmly believe that an overall focus on risk averseness is important in bringing down the overall economic cost of remedy thereby enabling us to channel these resources to more productive use.

It is our firm belief that our fellow industry players will see the need as well and follow suit so that we can together entrench it in the social fabric.

Ethics and integrity

UAP believes that integrity is the cornerstone of our collective common sense and lends great credence to the skills, abilities and commitments of our people. We strive to deal ethically and transparently with our clients, staff, partners and suppliers.

In this regard we are committed to increasing customer satisfaction by providing them with quality products and services that we innovate to respond to their needs and enhance the quality of their lives. We treat our suppliers fairly, objectively and honestly. We believe in treating our employees in a fair and even handed manner while fostering a culture rich in diversity but based on teamwork, integrity, trust and mutual respect. As a business we aggressively pursue growth and profitability while maintaining ethical standards in all our activities.

Health safety and Employee Welfare

The Group places great importance to the health and safety of employees, customers and members of the public.

While we subscribe to the highest possible level of practical standards of health and safety, these are continuously reviewed to ensure that they meet modern standards.

In addition we also appreciate the need to proactively manage issues of HIV/AIDS, where we have put in place a structured awareness and wellness policy and integrated it within our Human Resources Policies.

Sustainability
Our Corporate Social Responsibility

A Deserving Prize: James Wambugu - Managing Director UAP Insurance Kenya presents an award to the top 2012 Direct Sales Agent Eric Asiba

Rehabilitation and beautification of Nairobi Road Island: Kenyatta Avenue, Uhuru Highway Roundabout.

The 2012 UAP Ndakaini Half Marathon winner cross the finish line in style on a record time of 1 hour 20 minutes.

We recognize and perform the obligations we have towards our people, investors, customers, suppliers, industry players and the community as a whole.

UAP Staff and their children in a tree planting exercise at the Ndakaini Dam

Mrs. Triza Njeri Kamau (widow of the late Marathon Champion Kamau Samuel Wanjiru) with her children Shiro and Simon plant a tree during the UAP 2013 tree planting exercise.

Sustainability
Our Corporate Social Responsibility (Continued)

The total annual cost of this program has been maintained at Shs 5 million and it is built on the principal of non-discrimination.

We also maintain a policy of an equal opportunity employer, giving all qualified people a chance to join UAP and once they are on board, ensure that they all have fair terms of engagement and are exposed to quality training.

Being a publicly listed company, we are in the process of setting up an Employee Share Ownership Scheme (ESOP) for our employees to further inculcate affinity and ownership to the brand.

Corporate Social Responsibility

We aim to minimize the impact of our business on the environment, have a positive effect on society and the environment, and seek to work with other organizations that embrace these objectives.

We aim to use natural resources responsibly, work with communities and encourage and educate our employees on these goals.

We recognize that our Company has the potential to make a significant impact on its staff, customers, society and the environment.

We aim to comply with and where possible, exceed all current environmental legislation and meet all other requirements to which we subscribe.

We are committed to a process of continual improvement, including the ongoing assessment and reduction in use of paper and reduction of pollution.

We inform our customers and suppliers of our activities and where possible, work with them to achieve the desired aims. We seek to work with other local organizations to share ideas and help develop our management systems.

We act as a responsible member of the local community and consider our impact on it, in particular with regard to our office location and employees' movements to and from the office, and seek to recruit new staff and work with new suppliers where the local community will benefit most strongly.

Environmental Conservation

Our aim is to contribute to the sustainable conservation of our environment. To this end we have for the past 10 years been planting trees around the Ndakaini Dam in Gatanga Constituency of Muranga County. This dam provides over 70% of clean drinking water to Nairobi's three million residents.

In an annual exercise that involves our staff, the local community and our partners we have so far planted over 150,000 trees. Our target is to plant 250,000 trees in the area. Every year in the month of April, our staff and with involvement of the local community converge around the Ndakaini dam to plant trees. We did this for 2012 and are in the process of integrating the donors in our annual fundraising initiatives to participate in this highlight exercise.

While we are involved in these initiatives from a business perspective, it is important to note that the scarcity of water has both an economic and social cost and as an insurance company we are aware of the need to mitigate any risks that may exacerbate these costs.

UAP Ndakaini Half Marathon

The tree planting exercise we engage in annually is closely tied to the flagship annual UAP Ndakaini Half-Marathon that is now set to take place September. This calendar event serves to highlight the plight of the Ndakani Dam and draw support by other organizations by fundraising towards the conservation program.

We also aim to use the marathon as an instrument of building sports talent and supporting our youth to reach their potential. The event, in its ninth year has proven very successful, attracting increasingly larger numbers of athletes and spectators.

It has produced great talent including renowned London Olympic Marathon silver medalist Abel Kirui. Kirui is now the official UAP Ndakaini Half Marathon Ambassador and we work very closely with him and other athletes to mentor the young and upcoming runners.

Sustainability
Our Corporate Social Responsibility (Continued)

UAP Staff during a team building event

Supporting Rugby Development

For the last five years, UAP has supported the Bamburi Super Series Rugby tournament, which brings together teams from around the East African region to grow the 15's game. As a sport that continues to attract more youth, we are glad to participate in its development and to be associated. Indeed this is the other sport that has firmly placed Kenya on the global map following the successes and growing popularity of its national 7's team. In 2012 we upped our sponsorship for the tournament to Ksh 1.5 million even as we maintained kit sponsorship of the winning Rhino team.

Education Scholarships

UAP is a firm believer in educating children. As such, we have a deliberate policy to support needy and bright children to get an education. We have largely supported children at secondary school level for over ten years. We support a needy student each at Starehe Boys and Starehe Girls Centres every year and on a case-by-case basis of other students in other schools. The students we have supported have gone on to make great achievements in life and one was admitted to a prestigious university overseas. Last year we extended our educational support to two children at primary school level. We intend to build on this program to reach more deserving cases in future.

Lollipop Project

This is a signature program that we run each year in association with the Lollipop Project to promote safe road use. The program primarily works with children of primary school going age around the country and has over the last five years served as an important platform to impart road safety tips to both pedestrians and motorists. The program involves stationing uniformed marshals at designated pedestrians crossing points that are often located next to the school.

Urban Renewal

Following the successful road islands 'adoption' program in Nairobi, we have extended it to include the Kenyatta Avenue roundabout in Nairobi's Central Business District and expect to add one more in Kisii County in 2013. This program serves to beautify the road islands by maintaining the flowers and grass and generally ensuring that they are aesthetically appealing to residents.

Other Charities

We were also involved in other philanthropic activities in which we supported various charities during the year. These included supporting the fund raising golf tournament for the Nyeri Hospice, donating and participating in the Kenya Diabetes Management Center Diabetes Walk and Golf and The Nairobi Hospital Children's Charity Heart Fund. The UAP Group also sponsored the Mater Hospital Heart Run, the Diocese of Mt Kenya Boys School's medical camp and golf tournaments in Nyahururu, Nyeri, Kisii, Nanyuki, Kitale and Muthaiga respectively.

Five Year Financial Highlights

	2012 Shs '000	2011 Shs '000	2010 Shs '000	2009 Shs '000	2008 Shs '000
Gross written insurance premium	**9,054,770**	**7,253,140**	**5,818,851**	**4,526,058**	**3,746,777**
Gross earned premium	**8,462,797**	**6,602,606**	**5,374,107**	**4,148,264**	**3,254,823**
Net earned premium	6,533,244	5,194,451	4,147,757	3,338,081	2,511,133
Investment and other income	2,953,724	1,558,619	1,467,755	762,393	674,999
Total income	**9,486,968**	**6,753,070**	**5,615,512**	**4,100,474**	**3,186,132**
Net claims and policy holder benefits payable	(3,938,295)	(2,926,773)	(2,424,829)	(1,951,616)	(1,133,110)
Commissions and other operating expenses	(3,800,722)	(2,614,602)	(2,397,257)	(1,868,369)	(1,606,758)
Share of loss of associate	-	(1,783)	(3,572)	-	-
Profit before income tax	**1,747,951**	**1,209,912**	**789,854**	**280,489**	**446,264**
Income tax expense	(366,920)	(290,228)	(110,979)	(69,681)	(119,387)
Profit after income tax	**1,381,031**	**919,684**	**678,875**	**210,808**	**326,877**
Non-controlling interests	**(99,025)**	**(37,469)**	**(150,602)**	**(38,085)**	**(46,651)**
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS	**1,282,006**	**882,215**	**528,273**	**172,723**	**280,226**
Other comprehensive (loss) / income	692,939	(691,470)	531,304	(394,707)	(738,181)
Total comprehensive income / (loss)	**2,073,969**	**228,214**	**1,210,179**	**(183,899)**	**(411,304)**
Dividends	419,130	204,000	204,000	204,000	204,000
Total distributions	**419,130**	**204,000**	**204,000**	**204,000**	**204,000**
Total assets	**24,615,012**	**14,510,400**	**12,419,344**	**9,836,392**	**9,430,394**
Total equity	**11,577,351**	**4,647,300**	**4,633,744**	**3,635,913**	**3,853,409**

Kshs 2.35

The Group paid an interim dividend of 85 cents per share and the directors have proposed a final dividend of Kshs 1.50 per share. The Group's total dividend for the year is therefore Kshs 2.35 per share, an increase of 38% compared to the dividend of Kshs 1.70 per share paid in 2011.

126%

The group's investment income increased by 126% driven by improved performance of our investment portfolio which includes listed equities, investment property and fixed income investments. The Group's property development in Kampala, Uganda, UAP Nakawa Business Park, a grade A prime commercial office development currently under completion, contributed Kshs 430 million to the Group's investment income.

2.1b

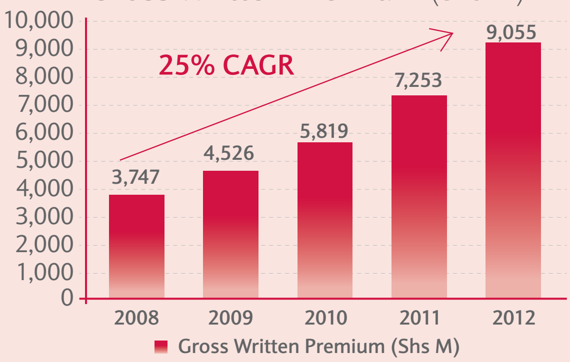
Total comprehensive income grew to Kshs 2.1 billion, an increase of over 809% , driven by the strong business growth and recovery of the stock markets.

Five Year Financial Highlights

25%

The overall performance for the business in 2012 has been solid with 25% growth in insurance premium revenues to Kshs 9.1 billion from Kshs 7.3 billion in 2011. This growth has been supported by growth of UAP businesses across the region due to a strong focus on product innovation, streamlining the core businesses and geographical expansion.

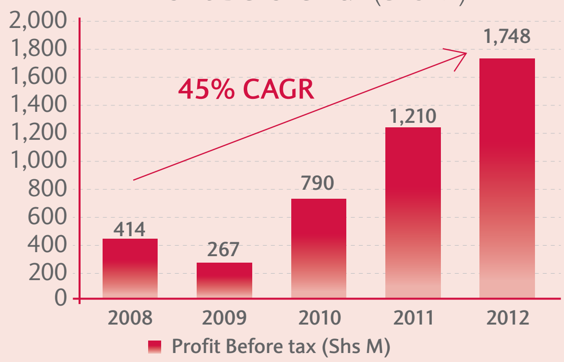
Gross Written Premium (Shs M)



Analysis

The group's total insurance premium revenues increased by 25% to Kshs. 9.1 billion as a result of strong focus on product innovation, streamlining of our business ad geographic expansion.

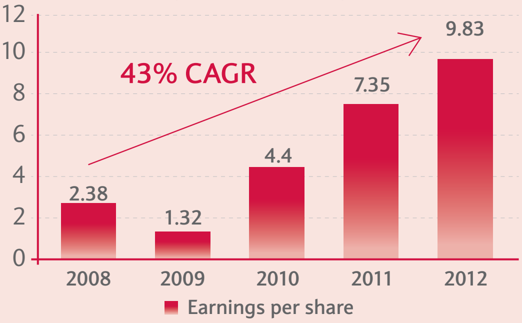
Profit Before Tax(Shs M)



Analysis

The Earnings Per Share increased by 34% from Kshs 7.35 per share in 2011 to Kshs 9.83 per share in 2012 while the total comprehensive income grew to Kshs 2.1 billion, an increase of over 809% , driven by the strong business growth and recovery of the stock markets.

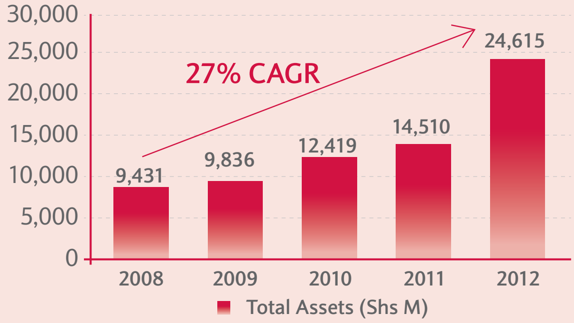
Earnings per share (Shs per share)



Analysis

Profit before Tax increased to Kshs 1.75 billion, up 44% from a profit of Kshs 1.21 billion recorded in 2011, while the Earnings Per Share increased by 34% from Kshs 7.35 per share in 2011 to Kshs 9.83 per share in 2012.

Total Assets (Shs M)



Analysis

The Group's total assets increased by 70% to Kshs 24.6 billion as a result of investment of funds raised in 2012 from Private Equity Investors and the Public Offer of UAP shares, and investment of funds generated by the core business.

Future Outlook

The management team continues to strongly position UAP businesses in all its markets, in line with the Group's growth strategy, whilst accelerating the execution of the pan-African expansion strategy. The markets and environment for UAP core businesses remain favourable in the long term and we are confident that the Group will continue to achieve a strong and sustainable growth in earnings.

Corporate Governance Statement

Following the major capital raising initiatives through private placement and public offer during the year and in keeping with the Company's commitment to adhering to the highest standards of corporate governance, the Board embarked on a comprehensive corporate governance review, with the objective of enhancing corporate governance standards and practices desirable for a public company. This has resulted to reorganization of the Board, appointment of new directors and revamping of the various Board committees.

Board of Directors

The Board's main objective is to establish and monitor the strategic direction for the Company and the Group, ensuring competent management of the business; establish and oversee adequate internal control systems, monitor compliance with laws and regulations and report performance to shareholders. During the reporting period, a number of changes were made to the Board to enable fair representation of all major shareholders (particularly the private equity partners) and to obtain the requisite skill mix. These changes led to an increase of the Board membership from 7 to 12. Of the twelve directors, the Chairman and 10 members are non-executives directors, and three of these are independent non-executive directors.

Board Charter

During the year, a consultant was appointed to undertake a Board Evaluation and review the existing board charter in order to take care of the new changes in the Company. The new Board Charter is currently being finalised and should be adopted by the Board shortly. Key components of the Charter include terms of reference of the Board, authorities of the Board and structure. The terms of reference of the Chairman of the Board and those of the Managing Director have been provided for. Board committees and their terms of reference, procedures for dealing with conflict of Interest, related party transactions and independence of directors have been defined. Other outputs from the process include standardized board documents and detailed Board meeting procedures which will be applicable across the group's subsidiaries.

Board appointments

Appointments to the Board are premised on a good mix of appropriate skills, competencies in relevant fields, gender balance and the ability to promote the objectives of the Company.

All directors have a fixed tenure of office and are required to retire at least every three years with a provision for re-election subject to a favourable performance evaluation by the Board.

Board meetings; information to directors and board performance evaluation

The Board meets at least once every quarter but the business may warrant the convening of special meetings from time to time. All Board meetings are scheduled in advance of the respective year through an Annual Calendar Board Meetings including a rolling calendar, which facilitates planning and availability of the members. Board Committee meetings are scheduled in advance of the Board Meeting so that all technical matters are appropriately addressed and reported to the Board for ratification or approval.

The directors are given appropriate and timely information on key activities of the business regularly and on request in order to carry out their roles. Specifically the directors are provided with all available information in respect of items to be discussed at a meeting of the Board or committee prior to the meeting. They may also seek independent professional advice, at Company expense, concerning the affairs of the Group in consultation with the Group Managing Director and the Group Company Secretary.

The Board regularly commissions a board performance evaluation that is done independently by a certified professional organisation and the report is used to improve the Board's performance. A Consultant was appointed in the fourth quarter of 2012 and a report was submitted in the 1st quarter of 2013.

Separation of role of chairman from chief executive

The Group Chairman is responsible for managing the Board and providing leadership to the Group while the Group Managing Director is responsible to the Board for strategically overseeing and managing the business units in the UAP Group in accordance with instructions given by the Board.

Committees of the board

The Board is fully cognizant of the fact that it is ultimately responsible for ensuring that the Company remains a going concern at all times. That it must exercise full control of the Company and direct and control the management in the implementation of key decisions affecting the Company or its business. The Board has an approved annual work plan and a Board Charter that enumerates the roles, responsibilities and powers of the Board and provides for the delegation of authority to the Committees of the Board.

Corporate Governance Report
(Continued)

The Board Committees have been reorganised and reconstituted as follows:-

1. Audit
2. Risk & Governance
3. Group Information Communication & Technology
4. Finance & Investments Committee
5. Nominations, Remuneration Committee and Human Resources,

The members of the Committees and their Chairmen are elected by the Board for a period of one year, and may be re-elected thereafter. The Board may appoint acknowledged experts in relevant fields as members of any Committee ("the Expert Member"). The Expert Member will be independent and his/her appointment will satisfy the following criteria:

- Members of the Board constitute the majority of Committee members;
- A member acts as the chair of the Committee;
- An expert who is not a director may be appointed to serve in a committee; the Expert Member agrees to be bound by the Board Charter.

The composition of each Committee shall seek to reflect the need for knowledge and experience regarding the Committee's sphere of competence, provided that the above membership requirements are met. In order to discharge its mandates and responsibilities effectively, the Board has delegated certain tasks to its Committees.

The Management of the Company including the subsidiaries, the Group Company Secretary and the Group's auditors are under clear instructions to provide information, explanations or documents required by the Committees in order to ensure that they cover their mandates to the extent necessary for informed decision making. During the period under review, the following Committees were in place.

1. Audit Committee

George Odo	Chairman
Kamau Kuria	Member
Lotfi Baccouche	Member

2. Risk & Governance Committee

Lotfi Baccouche	Chairman
Peter Njoka	Member
George Odo	Member
Dominic Kiarie	Member
James Wambugu	Ex-Officio
Zipporah Mungai	Ex-Officio

3. Group Information Communication & Technology

James Mworia	Chairman
Kamau Kuria	Member
Peter Njoka	Member
Joseph Mucheru	Member
Dominic Kiarie	Ex-Officio

4. Finance & Investments Committee

James Mworia	Chairman
Susan Omanga	Member
Dr. Chris Kirubi	Member
James Muguiyi	Member
Skander Oueslati	Member
Davinder Sikand	Member
Dominic Kiarie	Member

5. Human Resources, Remunerations & Nominations Committee

Susan Wakhungu - Githuku	Chairperson
Dr. JB Wanjui	Member
Philip Coulson	Member
Jonas Armtoft	Member
Skander Oueslati	Member
Peter Njoka	Member
Dominic Kiarie	Member

Corporate Governance Statement
(Continued)

Conduct of Business and Performance Reporting

The Group's business is conducted in accordance with a carefully formulated strategy, annual business plans and budgets which set out very clear objectives. Roles and responsibilities have been clearly defined with approved authority being delegated. Performance against the objectives is reviewed and discussed monthly and quarterly by the management teams in the Group. The Chief Executives and their respective Management teams prepare annual business review report which is presented to the Group Board during it's annual retreat for consideration and approval. Each subsidiary board is expected to monitor the performance of each subsidiary. consolidations are undertaken on a quarterly basis and presented to the Board. This way performance trends, forecasts as well as actual performance against budgets and prior periods are closely monitored.

Compliance with laws

The Board is satisfied that the Group has, to the best of their knowledge, complied with all applicable laws and conducted its business affairs in accordance within the law. To the knowledge of the Board no director, employee or agent of the Group acted or committed any indictable offence under the Anti-Corruption laws in conducting the business of the Group nor been involved or been used as a conduit for money laundering or any other activity incompatible with the relevant laws.

Group Company Secretary

All members of the Board have direct access to the Group Company Secretary and in his absence the Deputy Group Company Secretary, who is responsible for ensuring that all board procedures, corporate governance policies, rules and regulations are followed.

Accountability, audit and shareholder relations

The Board recognises its responsibility to present a balanced and understandable assessment of the Group's financial position and prospects. The Group's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act and are audited in accordance with International Auditing Standards. The directors recognise and have confirmed their responsibility over the financial statements and have provided other information in this annual report that they consider useful to shareholders and other stakeholders. All shareholders are invited to the Annual General Meeting and are free to put questions to the Board and the auditors on matters concerning operations and financial statements of the Group.

During the year the Board held a shareholders' briefing session which is intended to be a regular event so as to explain the direction the Company is taking and obtain shareholders views and ideas. This has enriched the company in a great way.

Shareholding

At 31 December 2012, the top ten shareholders in the Company were:

		No. of shares	Holdings %
1	BAWAN LTD	43,008,299	20.34%
2	AFRICINVEST FUND II LIMITED	29,660,547	14.03%
3	CENTUM INVESTMENT COMPANY LTD	29,070,637	13.75%
4	AUREOS AFRICA FUND LLC	28,796,810	13.62%
5	CHRISTOPHER JOHN KIRUBI	20,261,808	9.58%
6	SWEDFUND INTERNATIONAL	14,901,179	7.05%
7	JAMES NGATIA MUGUIYI	12,611,247	5.97%
8	AFRICINVEST FINANCIAL SECTOR FUND LIMITED	5,561,353	2.63%
9	WILLIAM KIMUTAI MARTIN	3,495,480	1.65%
10	ANDREW STEPHEN GRAY SMITH	1,789,189	0.85%

Corporate Governance Report
(Continued)

Shareholding

The shareholders profile as at 31 December 2012 was as follows:

	No. of Shareholders	No. of Shares	Holdings %
Shares Range			
10,001 to 100,000	910	5,446,871	2.58%
100,001 to 1,000,000	29	11,535,303	5.46%
Above 1,000,000	14	194,437,715	92%
	953	**211,419,889**	**100%**
Individual investors			
Kenyan	763	49,871,160	23.59%
East African	35	108,100	0.05%
Foreign	14	123,400	0.06%
	812	**50,102,660**	**23.70%**
Corporate investors			
Kenyan	138	161,275,629	76.28%
East African	3	41,600	0.02%
	141	**161,317,229**	**76.30%**

The directors' direct and indirect interest in the ordinary share capital of the Company on 31 December 2012 was as follows:

1	Dr JB Wanjui CBS	43,008,299	20.34%
2	Centum Investment Company Limited	29,070,637	13.75%
3	Dr. CJ Kirubi EBS	20,261,808	9.58%
4	JN Muguiyi	12,611,247	5.97%

The total number of shareholders at 31 December 2012 was 953 (2011: 25).

Annual General Meeting

NOTICE IS HEREBY GIVEN that the fifth annual general meeting of the shareholders of UAP Holdings Limited will be held at Sarova Panafric Hotel, Nairobi on Friday 21 June 2013 at 10.00. a.m. for the following purposes:

Ordinary Business

1. The Secretary to read the notice convening the meeting, table the proxies and confirm the presence of a quorum.
2. To confirm the Minutes of the fourth Annual General Meeting held on 11th May 2012 and the Minutes of the Extraordinary General Meeting held on 16th July 2012.
3. To receive, consider and if thought fit, adopt the audited financial statements for the year ended 31st December 2012 together with the Chairman's, Directors' and Auditors' Reports thereon.
4. To consider and if thought fit, adopt the recommendation to pay a final dividend of Kes 1.50/= (interim Kes 0.85/= paid in October 2012) for each ordinary share of Kes 5/= on the issued share capital of the Company in respect of the year ended 31 December 2012.
5. To approve the directors' remuneration for the year ended 31 December 2012 as provided for in the Financial Statements.
6. Election of Directors –

   (a) During the year, the Board undertook reorganization of its structure and size and pursuant to Articles 99 of the Company's Articles of Association:-

   (i) Ms. Susan Githuku, appointed as a director to fill a casual vacancy, retires by rotation at the dissolution of the meeting and being eligible, offers herself for re-election.

   (ii) Ms. Susan Omanga, appointed as a director to fill a casual vacancy, retires by rotation at the dissolution of the meeting and being eligible, offers herself for re-election.

   (b) In accordance with Article 99 of the Company's Articles of Association:-

   (i) Mr. Lotfi Baccouche, appointed as an additional director retires by rotation at the dissolution of the meeting and being eligible, offers himself for re-election.

   (ii) Mr. Peter Gichuru Njoka, appointed as an additional director retires by rotation at the dissolution of the meeting and being eligible, offers himself for re-election.

   (iii) Mr. Skander Khalil Oueslati, appointed as an additional director retires by rotation at the dissolution of the meeting and being eligible, offers himself for re-election.

   (iv) Mr. Jonas Armtoft, appointed as an additional director retires by rotation at the dissolution of the meeting and being eligible, offers himself for re-election.

Special Business

   (c) Dr. J.B. Wanjui, and Dr. C.J. Kirubi who have attained the age of 70 years each, retire by rotation in accordance with Article 101 of the Company's Articles of Association and Section 186 (2) of the Companies Act (Cap 486). Special Notices have been received by the Company pursuant to Section 142 of the Companies Act (Cap 486) that the following resolutions be proposed in accordance with Section 186 (5) of the said Act, and if thought fit, be passed by the members:

   (i) "That Dr J. B. Wanjui CBS, a director who has attained the age of 70 years, be and is hereby re-elected to serve as a Director of the Company until he next comes up for retirement by rotation under the Company's Articles of Association";

   (ii) "That Dr C. J. Kirubi EBS, a director who has attained the age of 70 years, be and is hereby re-elected to serve as a Director of the Company until he next comes up for retirement by rotation under the Company's Articles of Association."

7. To note that PricewaterhouseCoopers continue as auditors of the Company in accordance with Section 159 (2) of the Companies' Act CAP 486 and to authorize the directors to fix their remuneration.
8. To transact any other business which may be properly transacted at an annual general meeting and for which a valid notice has been issued in accordance with the Company's Articles of Association.

By order of the Board

A.K. Maina
Secretary
24 May 2013

Note: In accordance with Section 136(2) of the Companies Act (Cap. 486) every member entitled to vote at the above meeting is entitled to appoint a proxy to attend and vote on his/her behalf. A proxy need not be a member of the Company.

A form of proxy is enclosed and should be returned to the Company Secretary, P.O. Box 43013 – 00100, Nairobi, to arrive no later than 48 hours before the meeting or any adjournment thereof.

Directors' report

The directors submit their report together with the audited financial statements for the year ended 31 December 2011 which disclose the state of affairs of the Company and the Group.

Principal activities

The Group is engaged in the business of insurance, premium financing, investment management, insurance brokerage, and property and stock broking services. These activities are carried out through the Group's subsidiaries in Kenya, Uganda and Southern Sudan, Rwanda and the Democratic Republic of Congo (DRC). These activities are briefly described below:

Insurance business:- The Company has four subsidiary undertakings that underwrite all classes of life and non-life insurance risks as defined by the Kenyan Insurance Act, other than industrial life insurance. They also issue investment contracts to provide their customers with asset management solutions for their savings and retirement needs, and provide premium financing services. These operations are carried out in Kenya, Uganda, South Sudan and Rwanda. The Group is in the process of applying for a license to start an insurance brokerage business in the Democratic Republic of Congo.

Premium Financing: - One of the Company's subsidiaries, UAP Credit Services Limited, provides insurance premium financing services to the customers of the Group's Kenyan insurance subsidiaries.

Stock broking: - The Company has in an investment in UAP Financial Services Limited, a Ugandan based Company that provides stock broking services.

Insurance brokerage services - The Company has procured an insurance brokerage business to operate in the Democratic Republic of Congo

Property: - The Company holds investments in three property companies based In Kenya, Uganda and South Sudan.

Groups results

	2012 Shs '000	2011 Shs '000
Profit for the year	1,381,031	919,684
Profit attributable to shareholders of the company	1,282,006	882,215

During the year, the company paid an interim dividend of Shs 102 million (2011: Nil). The directors recommend the payment of a final dividend of Shs 317 Million. (December 2011: Shs 204 million)

Directors

The directors of the Company, who held office to the date of this report, are:-

Dr. JB Wanjui CBS	Chairman
Mr. JN Muguiyi	Managing Director
Dr. CJ Kirubi EBS	-
Sir. G Wavamunno	-
Mr. James Mworia	-
Mr. Kamau Kuria	Resigned on 21st March 2013
Mr. Philip Coulson	Resigned on 21st March 2013
Mr. Skander Oueslati	Appointed on 7th May 2012
Mr. Peter Njoka	Appointed on 12th April 2012
Mr. Lotfi Baccouche	Appointed on 7th September 2012
Mr. Dominic Kiarie	Appointed on 7th September 2012 (Executive)
Mrs. Susan Wakhungu - Githuku	Appointed on 21st March 2013
Mrs. Susan Nkirote Omanga	Appointed on 21st March 2013
Mr. Jonas Armtoft	Appointed on 21st March 2013

Auditor

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

By order of the Board

AK Maina
Secretary
26 April 2013

Statement of director's responsibilities

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

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and its subsidiaries and of its profit in accordance with International Financial Reporting Standards.

The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

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

Dr JB Wanjui CBS
Chairman

Dominic Kiarie
Managing Director

Report of the independent auditor

(to the members of UAP Holdings Limited)

Report on the financial statements

We have audited the accompanying consolidated financial statements of UAP Holdings Limited ('the Company') and its subsidiaries (together "the Group") as set out on pages 42 to 106. These financial statements comprise the consolidated statement of financial position at 31 December 2012 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the statement of financial position of the Company standing alone as at 31 December 2012, the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Kenyan Companies Act and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 the directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the Group and of the Company at 31 December 2012 and of the profit and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

Report on other legal requirements

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

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

ii) In our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books; and

iii) The Company's statement of financial position is in agreement with the books of account.

PricewaterhouseCoopers

Certified Public Accountants
24 May 2013
Nairobi

Consolidated statement of profit or loss

for the year ended 31 December

	Notes	2012 Kshs'000	2011 Kshs'000
Gross written premium	**5 (b)**	**9,054,770**	**7,253,140**
Gross earned premium	5 (b)	8,462,797	6,602,606
Reinsurance ceded		(1,929,553)	(1,408,155)
Net earned premium	**-**	**6,533,244**	**5,194,451**
Investment income	6	2,439,796	1,068,311
Commissions earned	-	427,598	390,037
Other income	7	86,330	100,271
Total Income		**9,486,968**	**6,753,070**
Claims and policy owners' benefits payable	8	(4,709,456)	(3,099,398)
Less: Amount recoverable from reinsurers	-	771,161	172,625
Net claims payable	**-**	**(3,938,295)**	**(2,926,773)**
Operating and other expenses	9	(2,580,485)	(1,698,134)
Commissions payable	-	(1,058,761)	(864,216)
Total expenses & commissions		**(3,639,246)**	**(2,562,350)**
Finance costs	36 (a)	(161,476)	(52,252)
Share of associates loss	-	-	(1,783)
Profit before tax	**-**	**1,747,951**	**1,209,912**
Income tax expense	**11**	**(366,920)**	**(290,228)**
Profit for the year (of which 39,195,000, 2011: Shs 192,296,000) has been dealt with in the accounts of the company)	**-**	**1,381,031**	**919,684**
Profit attributable to:			
Owners of the parent	-	1,282,006	882,215
Non-controlling interests	-	99,025	37,469
Profit for the year	**-**	**1,381,031**	**919,684**
Basic and diluted EPS	**12**	**9.83**	**7.35**

The notes on pages 50 to 106 are an integral part of these financial statements

Consolidated statement comprehensive income

for the year ended 31 December

	Notes	2012 Kshs'000	2011 Kshs'000
Profit for the year		**1,381,031**	**919,684**
Other comprehensive income / (loss)			
Items that will be recycled to profit or loss			
Exchange differences on translating foreign operations		(82,142)	(31,345)
Total items that will be recycled to profit or loss		(82,142)	(31,345)
Items that will not be recycled to profit or loss			
Gains/(losses) on revaluation of equity investments;		-	-
Listed ordinary shares	24	756,192	(660,941)
Unlisted ordinary shares	24	18,889	816
Total items that will not be recycled to profit or loss		**775,081**	**(660,125)**
Other comprehensive income for the year, net of tax		**692,939**	**(691,470)**
Total comprehensive income for the year		**2,073,970**	**228,214**
Total comprehensive income attributable to:			
Owners of the Company		1,999,364	211,377
Non-controlling interests		74,606	16,837
Total		**2,073,970**	**228,214**

The notes on pages 50 to 106 are an integral part of these financial statements

Consolidated statement of financial positon

as at 31 December

	Notes	2012 Kshs'000	2011 Kshs'000
CAPITAL EMPLOYED			
Share capital	13	1,057,099	600,000
Share premium	13	4,612,626	-
Fair value reserve for equity investments	14	1,367,361	591,773
Retained earnings	15	3,647,353	2,849,641
Proposed dividend	16	317,130	204,000
Translation reserve		(166,105)	(107,875)
Statutory reserve	17	136,563	115,088
Shareholders' funds		**10,972,027**	**4,252,627**
Non-controlling Interest		**605,324**	**394,674**
Total equity		**11,577,351**	**4,647,301**
REPRESENTED BY:			
Assets			
Goodwill	18	65,667	50,545
Property and equipment	19 (a)	176,063	174,141
Intangible assets	20 (a)	216,658	209,516
Investment properties	21 (a)	8,119,908	5,126,783
Deferred income tax asset	22	47,991	28,884
Retirement benefit asset	23	147,739	128,378
Equity investment at fair value through other comprehensive income	24 (a)	2,699,667	1,889,088
Equity investment at fair value through profit or loss	24 (b)	806,764	617,753
Mortgage loans receivable	26	147,367	134,421
Current income tax recoverable	11	50,941	26,672
Reinsurers share of insurance liabilities	27	1,524,681	1,315,945
Deferred acquisition cost	28	258,863	216,328
Receivables arising out of direct insurance arrangements		1,867,900	1,038,578
Receivables arising out of reinsurance arrangements		485,929	134,952
Other receivables	29 (a)	487,671	194,351
Corporate bonds		426,683	136,137
Government securities	30	3,208,574	1,692,919
Deposits with financial institutions	31	2,911,339	752,894
Cash and Bank balances	31	964,607	642,113
Total assets		**24,615,012**	**14,510,398**
Liabilities			
Deferred income tax liability	22	243,891	125,726
Insurance contract liabilities	32	3,393,835	2,801,057
Payable under deposit administration contracts	33	2,202,817	1,712,685
Unit-linked investment contracts	34	847,364	658,841
Borrowings	36 (a)	1,017,036	1,153,153
Provision for unearned premium	37	3,378,507	2,769,805
Current income tax payable	11	9,269	62,082
Creditors arising from reinsurance arrangements		1,069,623	370,630
Other payables	38 (a)	875,319	209,118
Total liabilities		**13,037,661**	**9,863,097**
Net Assets		**11,577,351**	**4,647,301**

The notes on pages 50 to 106 are an integral part of these financial statements

The financial statements on pages 42 to 106 were approved for issue by the board of directors on 26 April 2013 and signed on its behalf by:

Dr JB Wanjui CBS (Chairman)

Dominic Kiarie (Managing Director)

Company statement of financial position

as at 31 December

	Notes	2012 Kshs'000	2011 Kshs'000
CAPITAL EMPLOYED			
Share capital	13	1,057,099	600,000
Share premium	13	4,612,626	-
Retained earnings		228,743	608,678
Proposed Dividend	16	317,130	204,000
Total equity		**6,215,598**	**1,412,678**
REPRESENTED BY:			
Assets			
Property and equipment	19 (b)	32,389	53,398
Intangible assets	20 (b)	215,130	209,516
Investment properties	21 (b)	1,520,000	1,000,000
Investment in associate	25 (a)	-	3,255
Investment in subsidiaries	25 (b)	2,261,979	1,626,708
Amounts due from subsidiaries	43	1,266,041	492,783
Other receivables	29 (b)	13,181	69,065
Deposits with Financial institutions	31	2,529,780	-
Cash and Bank balances	31	97,360	31,863
Total assets		**7,935,860**	**3,486,588**
Liabilities			
Borrowings	36 (b)	-	890,000
Deferred income tax		3,141	3,141
Amounts due to subsidiaries	43	1,405,155	1,115,853
Other payables	38 (b)	311,966	64,916
Total liabilities		**1,720,262**	**2,073,910**
Net assets		**6,215,598**	**1,412,678**

The notes on pages 50 to 106 are an integral part of these financial statements

Consolidated Statement of changes in equity

for the year ended 31 December 2011

For the year ended 31 December 2011

ATTRIBUTABLE TO OWNERS OF THE PARENT

	Notes	Share Capital & Share premium Kshs'000	Fair value Reserves Kshs'000	Retained Earnings Kshs'000	Proposed Dividends Kshs'000	Translation Reserves Kshs'000	Statutory Reserve Kshs'000	Shareholders Total funds Kshs'000	Non-controlling Interest Kshs'000	Total Equity Kshs'000
Balance at 1 January 2011		**600,000**	**1,285,580**	**2,167,514**	**204,000**	**(81,309)**	**87,542**	**4,263,327**	**370,417**	**4,633,744**
Profit for the year		-	-	882,215	-	-	-	882,215	37,469	919,684
Other comprehensive income/(loss)										
Gains/(losses) on revaluation of equity investments										
Quoted ordinary shares	24 (b)	-	(657,310)	-	-	-	-	(657,310)	(3,631)	(660,941)
Unquoted ordinary shares	24 (b)	-	816	-	-	-	-	816	-	816
Transfer of realised gains on sale of shares		-	(42,374)	42,374	-	-	-	-	-	-
Currency translation differences		-	5,061	-	-	(26,566)	7,161	(14,344)	(17,001)	(31,345)
Total other comprehensive income for the year		**-**	**(693,807)**	**42,374**	**-**	**(26,566)**	**7,161**	**(670,838)**	**(20,632)**	**(691,470)**
Total comprehensive income for the year		**-**	**(693,807)**	**924,589**	**-**	**(26,566)**	**7,161**	**211,377**	**16,837**	**228,214**
Transfer to statutory reserve	17	-	-	(38,462)	-	-	20,385	(18,077)	18,077	-
Transactions with owners										
2010 Dividend paid	16	-	-	-	(204,000)	-	-	(204,000)	(10,657)	(214,657)
2011 Dividend proposed	16	-	-	(204,000)	204,000	-	-	-	-	-
Total transactions with owners		**-**	**-**	**(204,000)**	**-**	**-**	**-**	**(204,000)**	**(10,657)**	**(214,657)**
Balance at 31 December 2011		**600,000**	**591,773**	**2,849,641**	**204,000**	**(107,875)**	**115,088**	**4,252,627**	**394,674**	**4,647,301**

The notes on pages 50 to 106 are an integral part of these financial statements

Consolidated Statement of changes in equity

for the year ended 31 December 2012

		ATTRIBUTABLE TO OWNERS OF THE PARENT								
	Notes	Share Capital & Share premium Kshs'000	Fair value Reserves Kshs'000	Retained Earnings Kshs'000	Proposed Dividends Kshs'000	Translation Reserves Kshs'000	Statutory Reserve Kshs'000	Total Kshs'000	Non-controlling Interest Kshs'000	Total Kshs'000
Balance at 1 January 2012		600,000	591,773	2,849,641	204,000	(107,875)	115,088	4,252,627	394,674	4,647,301
Profit for the year		-	-	1,282,006	-	-	-	1,282,006	99,025	1,381,031
Other comprehensive income/(loss)										
Gains/(losses) on revaluation of equity investments										
Quoted ordinary shares	24 (b)	-	756,699	-	-	-	-	756,699	(507)	756,192
Unquoted ordinary shares	24 (b)	-	18,889	-	-	-	-	18,889	-	18,889
Income tax on other comprehensive income		-	-	-	-	-	-	-	-	-
Currency translation differences		-	-	-	-	(58,230)	-	(58,230)	(23,912)	(82,142)
Total other comprehensive income for the year		-	775,588	-	-	(58,230)	-	717,358	(24,419)	692,939
Total comprehensive income for the year		-	775,588	1,282,006	-	(58,230)	-	1,999,364	74,606	2,073,970
Transfer to statutory reserve	17	-	-	(40,522)	-	-	21,475	(19,047)	19,047	-
Transactions with owners										
Issue of shares	13	5,069,725	-	-	-	-	-	5,069,725	-	5,069,725
Non-controlling interest acquired in the year	25 (a)	-	-	(24,642)	-	-	-	(24,642)	131,333	106,691
2011 Dividend paid	16	-	-		(204,000)	-	-	(204,000)	(14,336)	(218,336)
2012 Interim dividend paid	16	-	-	(102,000)	-	-	-	(102,000)	-	(102,000)
2012 Final dividend proposed	16	-	-	(317,130)	317,130	-	-	-	-	-
Total transactions with owners		5,069,725	-	(443,772)	113,130	-	-	4,739,083	116,997	4,856,080
Balance at 31 December 2012		5,669,725	1,367,361	3,647,353	317,130	(166,105)	136,563	10,972,027	605,324	11,577,351

The notes on pages 50 to 106 are an integral part of these financial statements

Company statement of changes in equity

for the year ended 31 December

	Notes	Share Capital & Share premium Kshs'000	Retained Earnings Kshs'000	Proposed Dividends Kshs'000	Total Kshs'000
Balance at 1 January 2011		**600,000**	**620,382**	**204,000**	**1,424,382**
Profit for the year		-	192,296	-	192,296
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		**-**	**192,296**	**-**	**192,296**
Transactions with owners					
2010 Dividend paid	16			(204,000)	(204,000)
2011 Dividend proposed	16		(204,000)	204,000	-
Total transactions with owners		**-**	**(204,000)**	**-**	**(204,000)**
Balance at 31 December 2011		**600,000**	**608,678**	**204,000**	**1,412,678**
Balance at 1 January 2012		**600,000**	**608,678**	**204,000**	**1,412,678**
Profit for the year		-	39,195	-	39,195
Other comprehensive income/(loss)		-	-	-	-
Total comprehensive income for the year		**-**	**39,195**	**-**	**39,195**
Transactions with owners					
Issue of shares	13	5,069,725	-	-	5,069,725
2011 Dividend paid	16	-	-	(204,000)	(204,000)
2012 Interim dividend paid	16	-	(102,000)	-	(102,000)
2012 Final dividend proposed	16	-	(317,130)	317,130	-
Total transactions with owners		5,069,725	(419,130)	113,130	4,763,725
Balance at 31 December 2012		**5,669,725**	**228,743**	**317,130**	**6,215,598**

The notes on pages 50 to 106 are an integral part of these financial statements

Consolidated statement of cash flows

for the year ended 31 December

	Notes	2012 Kshs'000	2011 Kshs'000
Cash flow from operating activities			
Cash generated from operations	39	1,124,052	1,111,609
Tax paid	11	(331,074)	(178,105)
Net cash generated from operating activities		**792,978**	**933,504**
Cash flow from investing activities			
Purchase of property and equipment	19 (a)	(57,389)	(152,353)
Purchase of intangible assets	20 (a)	(101,834)	(159,793)
Net purchase of government securities		(1,449,664)	(324,540)
Purchase of equity investments	24	(545,287)	(193,774)
Net purchase of corporate bonds		(285,109)	3,984
Additions to investment properties	21	(1,941,699)	(984,482)
Mortgage loans advanced	26	(51,598)	(93,891)
Mortgage loans repaid	26	40,089	23,573
Proceeds from sale of equity investments	24	507,157	127,395
Rent, interest and dividends received		1,098,365	607,802
Net cash used in investing activities		**(2,786,969)**	**(1,146,079)**
Cash flow from financing activities			
Dividends paid	16	(306,000)	(204,000)
Proceeds from borrowings	36 (a)	1,011,736	938,573
Proceeds from share capital	13	5,069,725	-
Repayments on loan and interest costs on borrowings	36 (a)	(1,309,329)	(336,440)
Net cash generated from / (used in) financing activities		**4,466,132**	**398,133**
Increase in cash and cash equivalents		**2,472,141**	**185,558**
Movement in cash and cash equivalents			
At 1 January		1,443,805	1,258,247
Increase during the year		2,472,141	185,558
At 31 December		**3,915,946**	**1,443,805**

The notes on pages 50 to 106 are an integral part of these financial statements

Notes to the financial statements

For the year ended 31 December 2012 - continued

1. General information

The Company is incorporated in Kenya under the Companies Act as a limited liability company, and is domiciled in Kenya. The address of its registered office is Bishops Garden Towers, Bishops Road, P.O. Box 43013 - 00100 Nairobi.

The Company has five subsidiary companies that operate as insurance companies and one subsidiary company, UAP Credit Services Limited that provides insurance premiums financing services. The Company also holds investments in three property holding Companies listed in Kenya, Uganda and South Sudan. Three of the Company's insurance subsidiaries are short term ("general") insurance companies, one is a long term ("life") insurance company and one is a composite insurance company selling both general and life insurance. Long term business comprises life assurance business, deposit administration business and investment contracts. Life assurance business relates to the underwriting of risks relating to death of an insured person, and includes contracts subject to the payment of premiums for a term dependent on the termination or continuance of the life of an insured person. Short term (general) insurance business relates to all other categories of short term insurance business, analysed into several sub-classes of business based on the nature of the assumed risks. UAP Credit Services Limited provides premium financing services to policyholders of the Group's Kenyan insurance companies. The Group has a subsidiary UAP Financial Services Limited, a Ugandan based Company that provides stock broking services. UAP Properties (Kenya) Limited; UAP Properties (Uganda) Limited and UAP Properties (South Sudan) Limited are property holding companies for UAP Tower, Nakawa Business Park and Equitorial Towers which are located in Nairobi, Kampala and South Sudan respectively.

2. Summary of significant accounting policies

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

(a) Basis of preparation

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

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

Adoption of new and revised standards

(i) Standards early adopted in 2012 (Financial Statement)
IFRS 9 'Financial Instruments'- effective 1 January 2015.

In 2009, the Group early adopted IFRS 9 provisions relating to the classification and measurement of financial assets. In 2010, IFRS 9 provisions relating to the classification and measurement of financial liabilities were released and early adopted by the Group. The early adoption of the provisions relating to the classification and measurement of financial liabilities did not have a material impact on the Group's financial statements for 2011 as the classes remained similar to those under IAS 39, financial instruments, as previously applied by the Group.

IAS 1, 'Presentation of financial statements - effective 1 July 2012

In 2011 the group early adopted IAS 1. The amendment changed the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. Entities are required to separate items presented in other comprehensive income (OCI) into two groups, based on whether or not they may be recycled to profit or loss in the future.

Notes to the financial statements

For the year ended 31 December 2012 - continued

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Adoption of new and revised standards (continued)

Items that will not be recycled will be presented separately from items that may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The title used by IAS 1 for the statement of comprehensive income has changed to 'statement of profit or loss and other comprehensive income', though IAS 1 still permits entities to use other titles. The early adoption of the amendments to IAS 1 by the Group did not have a material impact in the financial statements

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Group,

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

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The application of IFRS 13 may enhance fair value disclosures in certain circumstances.

IAS 19, 'Employee benefits', was amended in June 2012. The impact on the Company will be as follows:

to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The directors are yet to assess the full impact of the amendments.

There are no other IFRS's or IFRIC interpretations that are not yet effective that would be expected to have material impact on the Group.

(b) Insurance contracts

Classification

The Group issues contracts that transfer insurance risk. Insurance contracts are those contracts that transfer significant insurance 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.

Insurance contracts are classified into two main categories, depending on the duration of risk and as per the provisions of the Insurance Act: long term insurance business and short term insurance business.

i) Long term insurance business

Includes business of all or any of the following classes, namely; group life business, ordinary life business, deposit administration business and unit linked business. Life insurance 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

Notes to the financial statements
For the year ended 31 December 2012 - continued

2. Summary of significant accounting policies (continued)

(b) Insurance contracts (continued)

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 the liability under superannuation, group life and permanent health insurance policy.

ii) Short term insurance business

Means insurance business of any class or classes not being long term insurance business. Classes of general insurance include aviation insurance, engineering insurance, fire insurance - domestic risks, fire insurance - industrial and commercial risks, liability insurance, marine insurance, motor insurance-private vehicles, motor insurance - commercial vehicles, personal accident insurance, theft insurance, workmen's compensation and employer's liability insurance and miscellaneous insurance (i.e. class of business not included under those listed above)

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

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.

Recognition and measurement

i) Premium income

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

For short term insurance business, premium income is recognised on assumption of risks, and includes estimates of premiums due but not yet received 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 financial reporting date, and is computed using the 365ths method. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

ii) Claims

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

For short term 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 financial 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.

Notes to the financial statements
For the year ended 31 December 2012 - continued

2. Summary of significant accounting policies (continued)

(b) Insurance contracts (continued)

Recognition and measurement (continued)

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

Commissions payable are based on the premium written and are recorded as an expense in the period in which they are incurred.

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

iv) Liability adequacy test

At each financial reporting date, liability adequacy tests are performed to ensure the adequacy of the insurance 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.

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

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

The Group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets. These processes are set out under Note 2(j)

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

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

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets classified at amortised cost. The impairment loss is also calculated under the same method used for these financial assets. These processes are described under Note 2 (j).

vii) Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (for example, salvage).

Notes to the financial statements

For the year ended 31 December 2012 - continued

2. Summary of significant accounting policies (continued)

(b) Insurance contracts (continued)

The Group may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

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

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

(c) Revenue recognition

i) Insurance premium revenue

The revenue recognition policy relating to insurance contracts is set out under note 2 (b) above

ii) Commissions

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

iii) Interest income

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

iv) Dividend income

Dividends are recognised as income in the period in which the right to receive payment is established.

v) Rental income

Rental income is recognised as income in the period in which it is earned. All investment income is stated net of investment expenses.

vi) Fee income

Fee income consists primarily of administration fees arising from services rendered in relation to the issue and management of deposit administration and investment contracts. Fees are recognised in the accounting period in which the services are rendered and are presented in the income statement within 'other income'.

(d) Investment contracts

The Group issues investment contracts without fixed terms (unit-linked) and investment contracts with fixed and guaranteed terms (fixed interest rate). The investment contracts include funds administered for a number of retirement benefit schemes.

Investment contracts without fixed terms are financial liabilities whose fair value is dependent on the fair value of underlying financial assets, and are designated at inception as at fair value through profit or loss.

The Group designates these investment contracts to be measured at fair value through profit or loss because it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The best evidence of the fair value of these financial liabilities at initial recognition is the transaction price (i.e. the fair value received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognises profit at inception.

Notes to the financial statements

For the year ended 31 December 2012 - continued

2. Summary of significant accounting policies (continued)

(d) Investment contracts (continued)

The fair value of financial liabilities for investment contracts without fixed terms is determined using the current unit values in which the contractual benefits are denominated. These unit values reflect the fair values of the financial assets contained within the Group's unitised investment funds linked to the financial liability. The fair value of the financial liabilities is obtained by multiplying

the number of units attributed to each contract holder at the financial reporting date by the unit value for the same date.

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

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

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

(e) Property and equipment

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

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

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

- Computer equipment - 3 years
- Motor vehicles - 4 years
- Other furniture and equipment - 5-8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial 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 comparing proceeds with carrying amount and are included in the income statement.

(f) Investment properties

Buildings, or part of a building, (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation and are not occupied by the Group are classified as investment property under non-current assets. Investment property is carried at fair value, representing open market value determined annually by external valuers. Properties under construction and development sites with projected use as Investment properties are valued at projected fair values taking into account current market conditions, outstanding investment costs and a risk loading according to the progress of the project. Changes in fair values are included in investment income in the statement of profit or loss.

Notes to the financial statements

For the year ended 31 December 2012 - continued

2. Summary of significant accounting policies (continued)

(g) Intangible assets

The Group's intangible assets relate to computer software and goodwill (note 2(v)).

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three years.

Development costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets if:-

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and use or sell it are available; and,
- The expenditure attributable to the software product during its development can be reliably measured.

Direct costs include the software development, employee costs and an appropriate portion of relevant overheads. Other development expediture that do not meet these criteria are recognised as an expense as incurred. Development costs that have been expensed are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding three years). Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

(h) Impairment of 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 an impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Financial assets

Classification and measurement

The Group classifies its financial assets as subsequently measured at either amortised cost or fair value on the basis of both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortised cost if both of the following conditions are met:

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

The Group's corporate bonds, government securities, receivables, mortgage loans, cash at bank and deposits with financial institutions are classified at amortised cost. The carrying values of various categories of Financial asset and Financial liabilities are shown in note 42. All financial assets that do not meet the above criteria are measured at fair value. Equity investments for life business are classified at fair value through profit or loss.

Notes to the financial statements

For the year ended 31 December 2012 - continued

2. Summary of significant accounting policies (continued)

(i) Financial assets (continued)

Equity investment for non life business are classified at fair value through other comprehensive income (note 24).

Financial assets are recognised when the Group becomes a party to the contractual provisions of the asset.

Initial recognition of financial asset is at fair value plus, for all financial assets except those carried at fair value through profit or loss, transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Equity investments are carried at fair value. Gains and losses arising from changes in the fair value of equity investments are recognised in other comprehensive income. When equity investments are derecognised, the cumulative gain or loss previously recognised in other comprehensive income are transferred to retained earnings. Dividends on equity instruments are recognised in the income statement when the Group's right to receive payment is established.

Fair values of quoted investments in active markets are based on current bid prices. Fair values for unlisted equity securities 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.

(j) Impairment of financial assets

Assets carried at amortised cost:

The Group assesses at each financial reporting date whether there is objective evidence that a financial asset or a group of financial assets measured at amortised cost is impaired. A financial asset or a 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 occurred after 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 loss events:.

- significant financial difficulty of the borrower;
- a breach of contract, such as default or delinquency in interest or principal repayments;
- the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the Group would not otherwise consider;
- it becoming probable that the borrower 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 flows 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 borrowers in the Group; or
- national or local economic conditions that correlate with defaults on the assets in the Group

The estimated period between a loss occurring and its identification is determined by management for each identified portfolio.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Notes to the financial statements

For the year ended 31 December 2012 - continued

2. Summary of significant accounting policies (continued)

(j) Impairment of financial assets (continued)

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, 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 not been incurred) discounted at the financial instrument's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

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.

(k) Accounting for leases

Leases of property and equipment where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired under finance leases are capitalised at the inception of the lease at the lower of their fair value and the estimated present value of the underlying lease payments.

Notes to the financial statements
For the year ended 31 December 2012 - continued

2. Summary of significant accounting policies (continued)

(k) Accounting for leases (continued)

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 and equipment acquired under finance leases is 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 income statement on a straight-line basis over the period of the lease.

(l) Cash and cash equivalents

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

(m) Employee benefits

i) Retirement benefit obligations

The Group operates a defined benefit scheme for employees. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The assets of the scheme are held in separate trustee administered funds, which are funded 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.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the financial reporting date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

ii) Other entitlements

Employee entitlements to long service awards are recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the financial reporting date. The estimated monetary liability for employees' accrued annual leave entitlement at the financial reporting date is recognised as an expense accrual.

Notes to the financial statements

For the year ended 31 December 2012 - continued

2. Summary of significant accounting policies (continued)

(n) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. However, if the deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from 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 or loss. 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 recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(o) 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 'Kenyan Shillings (Kshs), which is the Group's presentation currency.

ii) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other income' or 'other expenses'.

Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in other comprehensive income.

Notes to the financial statements
For the year ended 31 December 2012 - continued

2. Summary of significant accounting policies (continued)

(o) Functional currency and translation of foreign currencies (continued)

iii) Group balances

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:
(1) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

(2) income and expenses for each income statement amount 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 and expenses are translated at the dates of the transactions); and

(3) all resulting exchange differences are recognised in other comprehensive income.

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. Exchange differences arising are recognised in equity.

(p) 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.

(q) Consolidation of subsidiaries

i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise in circumstances where the size of the group's voting rights relative to the size and dispersion of holdings of other shareholders give the group the power to govern the financial and operating policies, etc.

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 values 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Notes to the financial statements

For the year ended 31 December 2012 - continued

2. Summary of significant accounting policies (continued)

(q) Consolidation of subsidiaries (continued)

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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.

ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

iv) 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 . Under the equity method, the investments are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss as appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income, with a corresponding adjustment to 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 legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the income statement. Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates.

Notes to the financial statements

For the year ended 31 December 2012 - continued

2. Summary of significant accounting policies (continued)

(q) Consolidation of subsidiaries (continued)

Unrealised losses are 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 gains and losses arising from investments in associates are recognised in profit or loss.

(r) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(s) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision- maker (CODM). The CODM is the person or group that allocates resources to and assesses the performance of the operating segments of an entity.

The group has determined the UAP Holdings Board of Directors to be its CODM. This function is executed through the Board's Finance and Investment Committee (FIC)

All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance.

3. Critical accounting estimates and judgments in applying accounting policies

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

i) Future benefit payments from long-term insurance contracts

The estimation of future benefit payments from long-term insurance contracts is one of the Group's most critical accounting estimates. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims. Note 32 contains further details on this process.

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

Notes to the financial statements

For the year ended 31 December 2012 - continued

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

i) Future benefit payments from long-term insurance contracts (continued)

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 and with discretionary participation in profits, 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 12.25% p.a.(2011:13.5% p.a)

ii) Claims reserving and determination of IBNR

The estimation of future contractual cash flows in relation to reported losses and losses incurred but not reported is a key 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. Case estimates are computed on the basis of the best information available at the time the records for the year are closed. Further details on the process used to estimate claims incurred but not reported and amounts recorded as liabilities at the end of the current and previous year are set out in note 32 of the financial statements.

iii) Fair value of financial assets

Fair values of certain financial assets recognised in the financial statements are determined using valuation techniques based on assumptions that are not supported by prices from current market transactions or observable market data.

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example models) are used to determine fair values, they are validated and periodically independently reviewed by qualified senior personnel.

All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates.

iv) Recoverable amount of receivables

Critical estimates are made by the directors in determining the recoverable amount of impaired receivables. This process is set out in note 2(j). The carrying amounts of receivables are shown on note 4(b)

v) Goodwill impairment

Critical estimates have been made by directors in determining whether the goodwill is impaired. These assumptions are disclosed on note 18.

4. Risk Governance and Risk Management System

Risk management objectives

Risk management is a central part of the Group's strategic management process hence we continuously seek to enhance the risk management capabilities of the Group.

It is anticipated that our risk management practices will increase the probability of success, and reduce both the potential of failure and the uncertainty associated with achieving the group's overall objectives.

The objectives of the Group's risk management activities are to achieve sustained competitive advantage via a rigorous, group wide risk management system that is fully aligned to the Group values, strategic business initiatives and processes. At a strategic level, our risk management objectives are to:

- Identify the Group's significant risks in relation to the corporate strategies pursued;
- Formulate the Group's risk appetite and ensure that business profile and plans are consistent with it;

Notes to the financial statements

For the year ended 31 December 2012 - continued

4. Risk Governance and Risk Management System (continued)

- Optimise risk/return decisions by taking them as closely as possible to the business, while establishing strong and independent review and challenge structures;
- Ensure that business growth plans are properly supported by effective risk infrastructure;
- Manage risk profile to ensure that specific financial deliverables remain possible under a range of adverse business conditions; and
- Help executives improve the control and co-ordination of risk taking across the business.

Our risk management strategy defines the extent of the risks we are prepared to incur for our clients and shareholders. The development of our risk strategy is embedded in the annual planning cycle and hence in our business strategy. That is, Integrating Strategy, Risk and Performance management takes place at strategy setting, first with a full Executive management consensus on clearly defined business objectives. Once Executive management have defined the objectives, they then identify the key risks that may present an opportunity to pursue those business objectives, or impede their ability to achieve them.

Organisational structure

To ensure that our risk management operates efficiently and effectively, we have established a specific risk management function within UAP Global Services as a Shared Service for the entire Group. Our Risk Management supervises risk management Group-wide with the support of decentralised structures in all units of the Group. It is headed by the Group Risk and Compliance Manager (GCRM), who is supported by interdisciplinary teams of highly qualified staff. Our Group Risk The Group's activities expose it to a variety of risks, including insurance risk and financial risk.

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. Management Framework ensure that staff in our risk management structure and the Group as a whole are kept informed of our risk strategy, organisation and processes, enabling the risks incurred to be actively controlled.

Risk Management Framework

In order to achieve its mission and objectives, the Group has developed an Enterprise Risk management framework to provide a guide within which key risks affecting the group are identified, measured and managed. This risk management framework also provides management with proven risk management guidelines that support their decision-making responsibilities and processes, together with managing the risks that impact on the objectives of the Group.

At the heart of the risk management framework is a governance process with clear responsibilities for taking, managing, monitoring and reporting risks. The Group articulates the roles and responsibilities for risk management throughout the organization, from the Board of Directors and the Chief Executive Officer (CEO) to its businesses and functional areas, thus embedding risk management in the business

The UAP Risk Management Framework is the Group's main risk governance document; it specifies the Group's Target Risk Management Operating Model including Risk management authorities and responsibilities, procedures and reporting requirements. The risk management framework also classifies the risks the Group faces into broad risk categories. The Group regularly enhances the ERM Framework to reflect new insights and changes in the Group's environment. One of the key elements of the Group's risk management framework is to foster risk transparency by establishing risk reporting standards throughout the Group. The Group regularly reports on its risk profile, current risk issues, adherence to its risk policies and improvement actions both at a local and on a Group level.

Notes to the financial statements

For the year ended 31 December 2012 - continued

4. Risk Governance and Risk Management System (continued)

Risk Management Framework (continued)

The Group has procedures in place for the timely referral of risk issues to senior management and the Board of Directors.

The implementation of the framework is driven by a risk management culture and awareness that permeates throughout the Group and is supported by a set of policies and procedures; Tools; and A robust reporting mechanisms The Group continues to consciously take risks for which it expects an adequate return. This approach requires sound judgment and an acceptance that certain risks can and will materialize in the future.

Significant risks

According to our classification, significant risks are risks that could have a long-term adverse effect on the Group's assets, financial situation or profitability. We have applied this definition consistently to the individual business units and legal entities, taking account of their individual risk tolerance. The section below summarises the significant risks faced by the group and how they are managed.

(a) Insurance risk

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

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur 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 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 concentration of insurance risk by the class of business in which the contract holder operates and by the maximum insured loss limit included in the terms of the policy. The amounts are the maximum insured loss limit of the insurance liabilities (gross and net of reinsurance) arising from insurance contracts.

Notes to the financial statements

For the year ended 31 December 2012 - continued

4. Risk Governance and Risk Management System (continued)

Significant Risks (continued)

(a) Insurance risk

Year ended 31 December 2012		Maximum insured loss			Total
Class of business (Amounts presented in Shs '000)		Kshs 0-15m	Kshs 15-250m	Kshs 250-1000m	Kshs'000
General insurance business					
Motor	Gross	28,565,744	55,950,026	-	84,515,770
	Net	**28,326,865**	**40,911,344**	**-**	**69,238,209**
Fire	Gross	39,045,837	115,529,368	906,832,945	1,061,408,150
	Net	**50,318,042**	**95,124,290**	**281,227,147**	**426,669,479**
Accident	Gross	73,965,743	81,312,254	87,090,160	242,368,157
	Net	**38,771,026**	**53,670,635**	**82,037,354**	**174,479,015**
Other	Gross	30,055,519	84,305,730	100,002,449	214,363,698
	Net	**22,615,575**	**29,942,375**	**27,499,035**	**80,056,985**
Life assurance business					
Ordinary life	Gross	2,596,307	-	-	2,596,307
	Net	**2,596,307**	**-**	**-**	**2,596,307**
Group life	Gross	350,093	3,256,984	272,088,403	275,695,480
	Net	**211,909**	**2,281,432**	**128,987,397**	**131,480,738**
Total	**Gross**	**174,579,243**	**340,354,362**	**1,366,013,957**	**1,880,947,562**
	Net	**142,839,724**	**221,930,076**	**519,750,933**	**884,520,733**

The concentration by sector or maximum insured loss at the end of the year is broadly consistent with the prior year.

Year ended 31 December 2011		Maximum insured loss			Total
Class of business (Amounts presented in Shs '000)		Kshs 0-15m	Kshs 15-250m	Kshs 250-1000m	Kshs'000
General insurance business					
Motor	Gross	28,651,180	8,538,829	2,078,346	39,268,355
	Net	**27,568,789**	**7,710,831**	**1,610,147**	**36,889,767**
Fire	Gross	26,863,340	94,661,994	1,426,269,902	1,547,795,236
	Net	**27,539,173**	**84,844,726**	**77,693,442**	**190,077,341**
Accident	Gross	41,365,052	109,106,677	47,354,692	197,826,421
	Net	**21,001,035**	**46,247,419**	**15,887,235**	**83,135,689**
Other	Gross	18,092,075	52,783,575	299,508,097	370,383,747
	Net	**16,874,001**	**23,621,042**	**8,383,921**	**48,878,964**
Life assurance business					
Ordinary life	Gross	2,743,164	-	-	2,743,164
	Net	**2,743,164**	**-**	**-**	**2,743,164**
Group life	Gross	37,068,133	10,258,268	366,480	47,692,881
	Net	**29,513,595**	**2,268,078**	**153,840**	**31,935,513**
Total	**Gross**	**154,782,944**	**275,349,343**	**1,775,577,517**	**2,205,709,804**
	Net	**125,239,757**	**164,692,096**	**103,728,585**	**393,660,438**

Notes to the financial statements

For the year ended 31 December 2012 - continued

4. Risk Governance and Risk Management System (continued)

Significant Risks (continued)

(b) Financial risk

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

These risks arise from open positions in interest rate, currency and equity prices, 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 liquidity rate risk and equity price risk.

The Group manages these risks through policies set out by the Finance and Investment Committee of the Board (FIC). These policies have been developed to achieve long-term investment returns in excess of the Group's obligations under insurance and investment contracts. The principal technique 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.

Market risk

i) Foreign exchange risk

The group underwrites some short term insurance policies contracted in US dollars and maintains foreign currency denominated current accounts with local banks. Additionally, the group invests in offshore stock exchange markets and places deposits in local financial institutions denominated in foreign currencies. This exposes the group to onward foreign exchange risk arising from the various currency exposures, primarily with respect to the Uganda shillings, US dollar, Euro and Sterling Pound. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

At 31 December 2012, if the Shilling had weakened/ strengthened by 10% against the US dollar with all other variables held constant, the post-tax profit for the years would have been Shs 59.20 million (31 December 2011: Shs 35.85 million) higher/ lower, mainly as a result of US dollar bank balances. At 31 December 2012, and 31 December 2011, the company had no significant exposure with respect to Uganda Shillings, Euro and the Sterling Pound.

ii) Price risk

The group is exposed to equity securities price risk because of investments in quoted and unquoted shares classified either as fair value through profit or loss or other comprehensive income. The group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with policies set out by the Finance & Investment committee of Board. All quoted shares held by the group are traded on the Nairobi Securities Exchange (NSE) and Uganda Stock Exchange (USE).

At 31 December 2012, if the NSE Index had increased/ decreased by 10% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation to the index, total comprehensive income and equity would have been Shs 339 million higher/ lower (31 December 2011: Shs 247 million). Movement in the USE would not have had a material impact on the company's equity 31 December 2012 and 31 December 2011 as investments in the USE Index are not material. Investment in shares of Centum Investment Company Limited and Kenya Commercial Bank Limited at 31 December 2012 comprised of 13% (31 December 2011: 17%) and 48% (31 December 2011: 37%) respectively of the Group's total equity portfolio. There was no other concentration of price risk.

Notes to the financial statements

For the year ended 31 December 2012 - continued

4. Management of insurance and financial risk (Continued)

(b) Financial risk (continued)

iii) Interest rate risk

Fixed interest rate financial instruments expose the Company and Group to fair value interest rate risk. Variable interest rate financial instruments expose the company to cash flow interest rate risk. The Group's fixed interest rate financial instruments are government securities, deposits with financial institutions and borrowings. The Company's variable interest rate financial instruments are quoted corporate bonds, which are always the treasury bills rate plus some basis points. No limits are placed on the ratio of variable rate financial instruments to fixed rate financial instruments.

Investment contracts with fixed and guaranteed terms, government securities and deposits with financial institutions held to maturity are accounted for at amortised cost and their carrying amounts are not sensitive to changes in the level of interest rates. At 31 December 2012 if interest rates on quoted corporate bonds had been 2% higher/lower with all other variables held constant, post-tax profit for the year would have been Shs 7.7 milion (31 December 2011: Shs 12 million) lower/higher, mainly as a result of higher/lower interest income on floating rate quoted corporate bonds.

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;
- reinsurers' share of insurance liabilities.
- Loans and corporate bonds and
- Deposits and government securities

The Group has no significant concentrations of credit risk. The Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparty, and to geographical and industry segments. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk by category and territory are approved quarterly by the Board of Directors.

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 creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Group. Management information reported to the Group includes details of provisions for impairment on loans and receivables and subsequent write-offs. Finance and Investment committee of the Group Board 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 by the management credit committee.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings if available or historical information about counterparty default rates. None of the group's credit risk counter parties are rated except the Government of Kenya, the issuer of the Group's government securities which has B+ rating. The Company classifies counterparties without an external credit rating as below:

Group 1 - new customers/related parties.

Group 2 - existing customers/related parties with no defaults in the past.

Group 3 - existing customers/related parties with some defaults in the past. All defaults were fully recovered

Notes to the financial statements

For the year ended 31 December 2012 - continued

4. Management of insurance and financial risk (Continued)

(b) Financial risk (continued)

Maximum exposure to credit risk before collateral held - Group

	Credit rating/ Classification	31-Dec 2012 Shs '000	31-Dec 2011 Shs '000
Receivables arising out of reinsurance arrangements	Group 2	485,929	134,952
Receivables arising out of direct insurance arrangements	Group 2	1,867,900	1,038,578
Reinsurers' share of insurance liabilities	Group 2	1,524,681	1,315,945
Other receivables (excluding prepayments)	Group 2	193,319	136,386
Government securities	Group 2	3,208,574	1,692,919
Corporate bonds	Group 2	426,683	136,137
Mortgage loans receivable	Group 2	147,367	134,421
Deposits with financial institutions	Group 2	2,911,339	752,894
Cash at bank	Group 2	964,607	642,113
Total		**11,730,399**	**5,984,345**

Maximum exposure to credit risk before collateral held - Company

	Credit rating/ Classification	31-Dec 2012 Shs '000	31-Dec 2011 Shs '000
Cash at bank	Group 2	97,360	31,863
Deposits with financial institutions	Group 2	2,529,780	-
Amount due from subsidiaries	Group 2	1,266,041	492, 783
Total		**3,893,181**	**524,646**

No collateral is held for any of the above assets other than for staff mortgage loans and car loans included under other receivables. Properties in relation to staff mortgage loans and motor vehicles in relation to staff car loans are charged to the group as collateral. The fair value of this collateral was Shs 164 million (2011: Shs 149 million). All receivables that are neither past due or impaired are within their approved credit limits and are classified under group 2 and no receivables have had their terms renegotiated.

None of the above assets are either past due or impaired except for the following amounts in the Group's receivables under direct insurance and reinsurance arrangements.

Notes to the financial statements

For the year ended 31 December 2012 - continued

4. Management of insurance and financial risk (Continued)

(b) Financial risk (continued)

Credit risk (continued)

	Credit rating / classification	Receivables arising from direct insurance arrangements		Receivables arising from re-insurance arrangements	
		31-Dec 2012 Shs'000	**31-Dec 2011 Shs'000**	**31-Dec 2012 Shs'000**	**31-Dec 2011 Shs'000**
Past due but not impaired:					
- by up to 30 days	Group2	601,670	515,801	0	56,112
- by 31 to 60 days	Group2	485,394	270,635	8,198	51,252
- by 61 to 150 days	Group2	415,316	183,554	466,477	14,678
- by 151 to 360 days	Group2	365,520	68,588	11,254	12,910
Total past due but not impaired		**1,867,900**	**1,038,578**	**485,929**	**134,952**
Receivables individually determined to be impaired:					
Carrying amount before provision for impairment loss	Group3	527,418	441,753	-	-
Provision for impairment loss		(527,418)	(441,753)	-	-
Net carrying amount		**1,867,900**	**1,038,578**	**485,929**	**134,952**

No collateral is held in respect of the receivables that are past due but not impaired. Movements on the provision for impairment of receivables arising on direct insurance arrangements are as follows:

	31-Dec 2012 Shs'000	31-Dec 2011 Shs'000
At start of year	**441,753**	**417,343**
Provision in the year	85,665	24,410
At end of year	**527,418**	**441,753**

All receivables past due by more than 365 days are considered to be impaired, and are carried at their estimated recoverable value.

Notes to the financial statements

For the year ended 31 December 2012 - continued

4. Management of insurance and financial risk (Continued)

(b) Financial risk (continued)

Credit risk (continued)

The individually impaired receivables mainly relate to receivables arising out of direct insurance arrangements, the following amounts have been individually assessed:

	Direct Insurance Arrangements	
	31-Dec-12 Shs '000	31-Dec-11 Shs '000
Individually assessed impaired receivables		
Brokers	228,944	212,271
Agents	195,647	107,063
Insurance companies	20,718	44,356
Direct clients	82,109	78,063
At end of year	**527,418**	**441,753**

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 available cash resources 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 Finance and Investment le sets limits on the minimum level of cash balances.

The table below presents the cash flows payable by the Group under financial liabilities by remaining contractual maturities (other than insurance contract liabilities which are based on expected maturities) at the financial reporting date.

As at 31 December 2012	Up to 1 month Shs '000	1 to 3 month Shs '000	3 to 12 month Shs '000	1 to 5 years Shs '000	Over 5 years Shs '000	Total Shs '000
Liabilities						
Insurance contract liabilities	417,748	413,854	734,757	734,816	1,092,660	**3,393,835**
Creditors arising from reinsurance arrangements	688,652	88,205	292,766	-	-	**1,069,623**
Payable under deposit administration contracts	2,202,817	-	-	-	-	**2,202,817**
Unit-linked investment contracts	-	4,596	21,974	287,737	533,057	**847,364**
Other payables	109,510	177,817	587,992	-	-	**875,319**
Borrowings	175,950	28,539	108,618	1,016,929	-	**1,330,036**
Total financial liabilities						
As at 31 December 2012	**3,594,677**	**713,011**	**1,746,107**	**2,039,482**	**1,625,717**	**9,718,994**

Notes to the financial statements

For the year ended 31 December 2012 - continued

4. Management of insurance and financial risk (Continued)

(b) Financial risk (continued)

As at 31 December 2011:	Up to 1 month Shs '000	1 to 3 months Shs '000	3 to 12 months Shs '000	1 to 5 years Shs '000	Over 5 years Shs '000	Total Shs '000
Liabilities						
Insurance contract liabilities	158,609	343,972	740,759	920,854	636,863	2,801,057
Creditors arising from reinsurance arrangements	370,630	-	-	-	-	370,630
Payable under deposit administration contracts	1,712,685	-	-	-	-	1,712,685
Unit-linked investment contracts	658,841	-	-	-	-	658,841
Other payables	73,263	34,021	89,003	12,831	-	209,118
Borrowings	-	-	1,153,153	-	-	1,153,153
Total financial liabilities						
As at 31 December 2011	**2,974,028**	**377,993**	**1,982,915**	**933,685**	**636,863**	**6,905,484**

Investment contracts and deposit administration contracts can be surrendered before maturity for a cash surrender value specified in the contractual terms and conditions. Prudent liquidity risk management includes maintaining sufficient cash balances to cover anticipated surrenders before the contractual maturity dates. In addition, the Group invests only a limited proportion of its assets in investments that are not actively traded. The Group's listed securities are considered readily realisable, as they are actively traded on the Nairobi Securities Exchange and Uganda Stock Exchange.

The table below presents the cash flows payable by the company under financial liabilities by remaining contractual maturities at the financial reporting date.

	Less than 1 year Shs'000
At 31 December 2012:	
Amounts due to subsidiaries (note 44(iv))	1,405,155
Other payables	311,966
	1,717,121
At 31 December 2011:	
Amounts due to subsidiaries (note 44(iv))	1,115,853
Other payables	64,916
Borrowings	890,000
	2,070,769

Notes to the financial statements

For the year ended 31 December 2012 - continued

4. Management of insurance and financial risk (Continued)

(b) Financial risk (continued)

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 regulations of the jurisdictions in which the Group entities operate in;
- to comply with regulatory solvency requirements as set out in legislation in the jurisdictions in which the Group entities operate in;.
- to 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 stake holders; and
- to provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

The group's paid up capital comprises share capital as disclosed on note 12. The Group manages the minimum paid up capital and regulatory Capital (solvency) held in each subsidiary as capital.

During the year the Group held the minimum paid up share capital required as well as met the required solvency margins required in the jurisdictions in which the Group entities operate.

Capital adequacy and solvency margin are monitored regularly by the Board of Directors. The required information is filed with the respective authorities.

The table below summarises the capital requirements of the Group's entities in the various jurisdictions in which the Group operates and the amount of capital held.

31-Dec-12	General insurance Shs'000	Kenya Life Insurance Shs'000	Sudan Shs'000	Uganda Shs'000	Rwanda Shs'000
Regulatory capital requirements	300,000	150,000	341,190	70,006	-
Amount of paid up capital	600,000	644,093	342,710	241,950	169,486
Required solvency margin	713,287	222,510	-	142,573	-
Solvency margin by Company	1,157,899	351,299	-	794,030	-
Surplus/(deficit) over required margin	444,612	128,789	-	651,457	-

31-Dec-11	General insurance Shs'000	Kenya Life Insurance Shs'000	Sudan Shs'000	Uganda Shs'000	Rwanda Shs'000
Regulatory capital requirements	300,000	150,000	341,190	70,006	-
Amount of paid up capital	600,000	200,093	230,691	190,762	-
Required solvency margin	470,474	155,696	-	86,755	-
Solvency margin by Company	731,865	(336,368)	-	134,676	-
Surplus/(deficit) over required margin	261,391	(492,064)	-	47,921	-

Notes to the financial statements

For the year ended 31 December 2012 - continued

4. Management of insurance and financial risk (Continued)

(d) Fair values of financial assets and liabilities

The fair value of government securities at amortized cost at 31 December 2012 is estimated at Shs 2,970 million (2011: 1,791 million) compared to the carrying value Shs 2,662 million (2011: 1,321 million). The fair values of the Group's other financial assets and liabilities approximate the respective carrying amounts, due to the generally short periods to contractual repricing or maturity dates as set out above. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that the directors expect would be available to the Group at the financial reporting date.

(e) Fair values estimation

IFRS 7 requires disclosure of fair value measurements by the following levels of hierarchy for financial instruments that are measured in the statement of financial position at fair value:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value the end of the year.

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total balance Shs'000
31-Dec-12				
Assets				
Equity investments	3,452,704	-	53,727	3,506,431
Government securities	546,770	-	-	546,770
Total	**3,999,474**	**-**	**53,727**	**4,053,201**
31-Dec-11				
Assets				
Equity investments	2,471,665	-	35,175	2,506,840
Government securities	372,264	-	-	372,264
Total	**2,843,929**	**-**	**35,175**	**2,879,104**

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of each reporting period. 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 company is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise of primarily equity investments quoted at Nairobi Securities Exchange and Uganda Stock Exchange.

Notes to the financial statements

For the year ended 31 December 2012 - continued

4. Management of insurance and financial risk (Continued)

(e) Fair values estimation (continued)

Financial instruments measured at fair value that are not traded in active markets relate to Group's investment in the holding company for an investment property. Fair value estimate is based on the Group's share of the net asset of the investee company. As the investment property of the investee company is measured at their fair value, the net asset value of the investee company approximates its fair value. This estimate is classified as level 3. There were no transfers into or out of level 3 during the year (2010: Nil)

5. Segmental information

Management has determined the operating segments based on the reports reviewed by the Group's Board of Directors through its Finance and Investment Committee (FIC) that are used to make strategic decisions.

The Group reviews its operating segments (business units) by type of business and by geography. Based on this, the group's operating segments comprise of General Insurance, Life Assurance, Property, Investment management and related Financial Services. The group currently has operations in five countries namely Kenya, Uganda, South Sudan, Rwanda and Democratic Republic of Congo (DRC).

The reportable operating segments derive their revenue primarily from the underwriting of classes and non-life risks as defined by the Insurance Act and investment property.

Other services offered by the Group that are included within the Kenya and Uganda segments include stock brokerage, investment management and related financial advisory services. The results of these operations are included in the all other segments column as they are not material to the Group.

The Group Board of Directors assesses the performance of the reporting segments based on a measure of revenue and profitability.

5 (a) Segmental information (continued)

The segment information provided to the Group Board of Directors for the reportable segments for the year ended 31 December 2012 is as follows:

Year ended 31 December 2012	Kenya		Sudan	Uganda			All other	
	General Insurance Shs '000	Life Assurance Shs '000	General Insurance Shs '000	General Insurance Shs '000	Life Assurance Shs '000	Property Shs '000	segments Shs '000	Total Shs '000
Gross written premium (external customers)	5,925,796	749,879	824,688	1,382,030	165,879	-	6,498	9,054,770
Gross earned premium	5,396,368	781,413	781,139	1,337,525	165,879	-	473	8,462,797
Net earned premium	4,377,415	529,572	636,461	841,878	147,445	-	473	6,533,244
Interest income	84,289	364,630	7,327	70,031	10,451	-	157,233	693,961
Other investment income	1,028,478	363,530	48,852	253,034	726	425,311	(287,767)	1,832,165
Commissions and other income	284,708	58,858	28,150	49,019	2,402	-	4,461	427,598
Total income	**5,774,890**	**1,316,590**	**720,790**	**1,213,962**	**161,024**	**425,311**	**(125,600)**	**9,486,968**
Claims and policy owners' benefits payable	(2,481,897)	(743,981)	(237,008)	(377,715)	(97,694)	-	-	(3,938,295)
Finance cost	(27,435)	-	-	-	-	-	(134,041)	(161,476)
Depreciation	(26,790)	(5,014)	(14,491)	(9,011)	(150)	-	(3,656)	(59,112)
Amortisation	-	-	-	-	-	-	(94,692)	(94,692)
Commissions and other operating expenses	(1,946,191)	(350,092)	(373,978)	(629,753)	(130,701)	(4,584)	(50,143)	(3,485,442)
Share of loss of associate								
Profit before tax	**1,292,577**	**217,503**	**95,313**	**197,483**	**(67,521)**	**420,727**	**(408,132)**	**1,747,951**
Income tax expense	(177,078)	(5,538)	(6,996)	(48,333)	574	(129,549)	-	(366,920)
Profit or (loss) after tax for the year	**1,115,499**	**211,965**	**88,317**	**149,150**	**(66,947)**	**291,178**	**(408,132)**	**1,381,031**
Profit attributable to Non-controlling interests	-	-	-	70,101	(31,465)	-	60,389	99,025
Profit attributable to shareholders of the parent	1,115,499	211,965	88,317	79,049	(35,482)	291,178	(468,520)	1,282,006
Profit or (loss) after tax for the year	**1,115,499**	**211,965**	**88,317**	**149,150**	**(66,947)**	**291,178**	**(408,132)**	**1,381,031**
Other comprehensive income	761,685	-	11,451	(25,787)	432	(59,776)	4,934	692,939
Total comprehensive income	**1,877,184**	**211,965**	**99,768**	**123,363**	**(66,515)**	**231,402**	**(403,198)**	**2,073,970**
Additions:								
Property and equipment	11,388	16,905	13,705	3,970	-	-	11,421	57,389
Investment property	2,700	-	250,894	-	-	757,533	930,572	1,941,699
Intangible assets	-	-	-	-	-	-	101,834	101,834
Total assets	**10,668,545**	**4,667,461**	**1,393,512**	**2,484,379**	**274,291**	**2,176,876**	**2,949,948**	**24,615,012**
Total equity	**4,859,557**	**469,432**	**545,734**	**810,419**	**30,827**	**1,022,910**	**3,838,471**	**11,577,351**

5 (a) Segmental information (continued)

Year ended 31 December 2011	Kenya		Sudan	Uganda		All other	
	General Insurance Shs '000	Life Assurance Shs '000	General Insurance Shs '000	General Insurance Shs '000	Life Assurance Shs '000	segments Shs '000	Total Shs '000
Gross written premium (external customers)	**4,715,514**	**455,093**	**630,543**	**1,272,604**	**179,386**	**-**	**7,253,140**
Gross earned premium	4,299,509	383,344	577,884	1,162,483	179,386	-	6,602,606
Net earned premium	3,520,185	232,744	443,724	836,730	161,068	-	5,194,451
Interest income	67,920	86,843	4,982	41,321	8,258	498	209,822
Other investment income	606,564	(126,076)	(9,282)	93,801	1,593	291,889	858,489
Commissions and other income	315,984	76,824	42,259	53,262	1,979	-	490,308
Total income	**4,510,653**	**270,335**	**481,683**	**1,025,114**	**172,898**	**292,387**	**6,753,070**
Claims and policy owners' benefits payable	**(1,881,897)**	**(340,429)**	**(167,760)**	**(418,096)**	**(118,591)**	**-**	**(2,926,773)**
Finance cost	(33,586)	-	(9,856)	(8,810)	-	-	(52,252)
Depreciation	(14,080)	(4,579)	(21,326)	(9,440)	(156)	(76)	(49,657)
Amortisation	-	-	-	-	-	(38,749)	(38,749)
Commissions and other operating expenses	(1,409,483)	(261,862)	(269,937)	(439,841)	(54,151)	(38,670)	(2,473,944)
Share of loss of associate	-	-	-	-	-	(1,783)	(1,783)
Profit before tax	**1,171,607**	**(336,535)**	**12,804**	**148,927**	**-**	**213,109**	**1,209,912**
Income tax expense	**(195,873)**	**-**	**(1,920)**	**(79,495)**	**-**	**(12,940)**	**(290,228)**
Profit or (loss) after tax for the year	975,734	(336,535)	10,884	69,432	-	200,169	919,684
Profit attributable to Non-controlling interests	-	-	-	32,633	-	4,836	37,469
Profit attributable to shareholders of the parent	**975,734**	**(336,535)**	**10,884**	**36,799**	**-**	**195,333**	**882,215**
Profit or (loss) after tax for the year	**975,734**	**(336,535)**	**10,884**	**69,432**	**-**	**200,169**	**919,684**
Other comprehensive income	(629,414)	-	2,122	(27,737)	432	(36,873)	(691,470)
Total comprehensive income	**346,320**	**(336,535)**	**13,006**	**41,695**	**432**	**163,296**	**228,214**
Additions:							
Property and equipment	**53,655**	**1,908**	**36,635**	**6,486**	**195**	**53,474**	**152,353**
Investment property	**6,836**	**-**	**51,119**	**-**	**-**	**890,519**	**948,474**
Intangible assets	**-**	**-**	**-**	**-**	**-**	**159,793**	**159,793**
Total Assets	**7,739,194**	**2,927,378**	**841,110**	**2,045,676**	**209,890**	**747,150**	**14,510,398**
Total Equity	**3,186,371**	**(186,535)**	**316,922**	**589,860**	**46,156**	**694,525**	**4,647, 301**

5 (a) Segmental information (continued)

Premiums by source country

	31-Dec-12					31-Dec-11			
	Kenya Shs '000	Uganda Shs '000	Sudan Shs '000	Rwanda Shs '000	Total Shs '000	Kenya Shs '000	Uganda Shs '000	Sudan Shs '000	Total Shs '000
Short - term insurance									
Gross written premium	5,925,796	1,382,030	824,688	6,498	8,139,012	4,715,514	1,272,604	630,543	6,618,661
Gross earned premium	5,396,368	1,337,525	781,139	473	7,515,505	4,299,509	1,162,483	577,884	6,039,876
Net earned premium	**4,377,415**	**841,878**	**636,461**	**473**	**5,856,227**	**3,520,185**	**836,730**	**443,724**	**4,800,639**
Long - term business									
Gross written premium	749,879	165,879	-	-	915,758	455,093	179,386	-	634,479
Gross earned premium	781,413	165,879	-	-	947,292	383,344	179,386	-	562,730
Net earned premium	529,572	147,445	-	-	677,017	232,744	161,068	-	393,812
Gross written premium	6,675,675	1,547,909	824,688	6,498	9,054,770	5,170,607	1,451,990	630,543	7,253,140
Gross earned premium	6,177,781	1,503,404	781,139	473	8,462,797	4,682,853	1,341,869	577,884	6,602,606
Net earned premium	**4,906,987**	**989,323**	**636,461**	**473**	**6,533,244**	**3,752,929**	**997,798**	**443,724**	**5,194,451**
Investment income	1,740,887	627,420	71,525	(36)	2,439,796	882,915	189,696	(4,300)	1,068,311
Commission earned	343,566	55,882	28,150	-	427,598	292,537	55,241	42,259	390,037
Other income	(46,177)	132,507	-	-	86,330	(58,903)	159,174	-	100,271
Total income	**6,945,263**	**1,805,132**	**736,136**	**437**	**9,486,968**	**4,869,478**	**1,401,909**	**481,683**	**6,753,070**

The group does not derive a significant amount of its revenue from a single customer. There were no revenues derived from transactions within operating segments of the group.

Asset allocation by country

Property and equipment	129,602	3,970	36,699	506	170,777	132,891	7,558	33,693	174,141
Investment property	4,791,700	2,559,114	769,094	-	8,119,908	3,660,000	1,415,664	51,119	5,126,783
Intangible assets	216,658	-	-	-	216,658	209,516	-	-	209,516
Total assets	**17,533,845**	**4,958,485**	**1,959,393**	**163,289**	**24,615,012**	**10,462,455**	**3,206,833**	**841,110**	**14,510,398**
Total equity	**8,586,422**	**1,880,857**	**979,614**	**130,458**	**11,577,351**	**2,903,039**	**1,427,340**	**316,922**	**4,647,301**

Notes to the financial statements
For the year ended 31 December 2012 - continued

5. (b) Gross earned premium

The premium income of the Group can be analysed between the main classes of business as shown below:-

	Gross Written Premium		Gross Earned Premium	
	2012 Kshs'000	2011 Kshs'000	2012 Kshs'000	2011 Kshs'000
Short term insurance business				
Engineering	297,504	261,597	278,540	235,993
Fire	1,131,262	954,288	1,099,310	800,817
Liability	220,359	194,328	215,962	161,583
Marine	275,377	233,467	257,565	227,558
Motor	2,653,195	2,416,970	2,552,939	2,381,040
Workmen's Compensation	345,078	348,843	344,809	342,481
Personal Accident and medical	2,597,767	1,643,594	2,176,232	1,381,504
Theft	378,092	335,600	357,825	295,155
Others	240,378	229,974	232,323	213,745
Total	**8,139,012**	**6,618,661**	**7,515,505**	**6,039,876**
Long term business				
Ordinary life	391,327	235,560	391,327	235,560
Group life	524,431	398,919	555,965	327,170
Total	**915,758**	**634,479**	**947,292**	**562,730**
Total	**9,054,770**	**7,253,140**	**8,462,797**	**6,602,606**

Gross written premium represents the total premiums receivable by the Group before adjusting for the unearned proportion of the premiums. It is reported in the income statement for information purposes only. Revenue comprises gross earned premiums.

All revenue is earned from external customers.

Notes to the financial statements

For the year ended 31 December 2012 - continued

6 Investment income

	2012 Shs '000	2011 Shs '000
Interest from government securities	271,051	128,876
Bank deposit interest	293,765	72,150
Loan interest receivable	23,717	8,796
Rental income from investment properties	219,072	215,176
Miscellaneous income	20,841	10,691
Gain in foreign exchange	993	27,184
Interest on debentures	83,248	1,065
Fair value gains on investment properties (note 21)	1,155,003	702,399
Fair value (losses)/gains on equity assets at fair value through profit or loss (note 24(b))	190,316	(241,214)
Dividends receivable from equity investments	159,610	143,188
Fair value (losses)/gains on government securities assets at fair value though profit or loss	22,180	-
Total	**2,439,796**	**1,068,311**

7 Other income

	2012 Shs '000	2011 Shs '000
Fee income	53,548	28,723
Other	32,782	71,548
Total	**86,330**	**100,271**

Fee income relates to administration fees arising from services rendered in relation to the issue and management of deposit administration and other investment contracts. There are no individually significant items included in other category.

8 Claims and policyholder benefits payable

i) Short term insurance business

	2012 Shs '000	2011 Shs '000
Engineering	400,422	(10,860)
Fire	249,947	188,399
Liability	(17,007)	88,781
Marine	167,231	70,829
Motor	1,269,895	1,041,389
Workmen's compensation	104,743	120,957
Personal accident and medical	1,454,965	919,996
Theft	94,122	132,042
Others	87,885	19,621
Total	**3,812,203**	**2,571,154**

Notes to the financial statements
For the year ended 31 December 2012 - continued

8 Claims and policyholder benefits payable (continued)

ii) Long term insurance business

	2012 Shs '000	2011 Shs '000
Death, maturity and benefits payable	415,644	260,952
Increase in policy owners' liabilities	347,337	217,941
Interest payable on deposit administration and unit linked investments contracts	134,272	49,351
Total	**897,253**	**528,244**
Total	**4,709,456**	**3,099,398**

9 Operating and other expenses

	2012 Shs '000	2011 Shs '000
Staff costs (Note 10)	1,047,885	579,016
Auditors' remuneration	19,857	18,532
Depreciation (Note 19)	59,112	49,657
Amortisation on intangible assets (Note 20)	94,692	38,749
Impairment charge on receivables arising out of direct insurance arrangements (Note 4)	85,665	24,410
Operating lease rentals	110,249	95,866
Repairs and maintenance	143,754	46,635
Travelling costs	30,270	16,726
Directors expenses	27,578	15,238
Professional fees	83,137	45,938
Software maintenance & printing costs	254,004	190,352
Marketing & branding	134,554	34,092
Communication costs	27,022	14,931
Insurance related expenses	87,732	68,477
Other expenses	374,974	459,515
Total	**2,580,485**	**1,698,134**

There are no individually signficant items included in other expenses.

10 Staff costs

	2012 Shs '000	2011 Shs '000
Salaries and wages	934,151	551,738
Social security benefits costs	21,998	21,100
Retirement benefit costs:		
Defined benefits scheme (Note 23)	16,130	(14,035)
Defined contribution scheme	75,606	20,213
Total	**1,047,885**	**579,016**

Notes to the financial statements
For the year ended 31 December 2012 - continued

11 Income tax expense

	2012 Shs '000	2011 Shs '000
Current income tax	253,991	236,958
Deferred tax (Note 22)	112,929	53,270
Total	**366,920**	**290,228**

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2012 Shs '000	2011 Shs '000
Profit before tax	**1,747,951**	**1,209,912**
Tax calculated at a tax rate of 30% (2011:30%); (15% (2011 15%) UAP South-Sudan)	507,671	362,974
Less: tax effect of income not subject to tax	(153,679)	(159,176)
Add: tax effect of expenses not deductible for tax purposes	12,928	86,430
Total	**366,920**	**290,228**

The tax on other comprehensive income arose from unrealised losses on the Uganda equity investments which are subject to capital gains tax when realised.

Movement in the tax (payable) / recoverable account is as follows:

	2012 Shs '000	2011 Shs '000
At the beginning of the year	(35,411)	23,443
Taxation charge	(253,991)	(236,958)
Taxation paid	331,074	178,105
At end of the year	**41,672**	**(35,410)**

Disclosed as follows;

	31-Dec 2012 Shs '000	31-Dec 2011 Shs '000
Current income tax recoverable	50,941	26,672
Current income tax payable	(9,269)	(62,082)
Total	**41,672**	**(35,410)**

Notes to the financial statements

For the year ended 31 December 2012 - continued

12 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

	2012 Kshs'000	2011 Kshs'000
Profit attributable to equity holders of the company	1,282,006	882,215
Weighted number of shares in issue	130,402	120,000
Basic earnings per share	9.83	7.35
Diluted earnings per share	9.83	7.35

Weighted number of shares in issue for the year 2012 have been arrived at in the following way:	**Number of shares. (Thousands)**	**Number of days**	**Weighted Average number of shares**
Number of shares at the beginning of the year	120,000	365	120,000
Additional shares on conversion of Private Equity Debt (November 2012)	78,920	47	10,162
Additional shares on closure of Public offer (December 2012)	12,500	7	240
Total	**211,420**		**130,402**

There were no potentially dilutive shares outstanding at 31 December 2012 or 31 December 2011. Diluted earnings per share are therefore the same as basic earnings per share. There was no change in number of shares during the year ended 31 December 2011.

13 Share capital

The total authorised number of ordinary shares is 220 million (2011: 120 million) with a par value of Shs 5 per share. At 31 December 2012, 211 million ordinary shares were in issue and were fully paid.

	Number of shares '000	Ordinary shares Kshs'000	Share premium Kshs'000
Balance at 1 January 2011, 31 December 2011	120,000	600,000	-
Issue of shares (net proceeds)	91,420	457,099	4,612,626
Balance at 31 December 2012	211,420	1,057,099	4,612,626

Notes to the financial statements
For the year ended 31 December 2012 - continued

13 Share capital (continued)

During the year the company raised additional capital through PE investor participation and a public offering. The breakdown is as follows:

	Shares	Amount Shs '000
Private Equity		
Aureos	28,796,810	1,661,000
Swede Fund	14,901,179	859,500
Africinvest	35,221,900	2,031,599
Total private equity	**78,919,889**	**4,552,099**
Public Offer	12,500,000	750,000
Total	**91,419,889**	**5,302,099**
Expenses of offer		232,374
Net proceeds		**5,069,725**

14 Fair value reserve for equity investments

The fair value reserves relate to unrealised gains or losses on the group's equity investments that are carried at fair value through other comprehensive income. This reserve is not distributable.

15 Retained earnings

The retained earnings balance represents the amount available for dividend distribution to the shareholders of the Company, except for cumulative fair value gains on the investment properties of Shs 3,069 million (31 December 2011:Shs 1,952 million) whose distribution is subject to restrictions imposed by regulation.

16 Dividends

During the year, an interim dividend of Shs 0.85 per share (2011: nil) amounting to Shs 102 million was paid to shareholders in the company register as at 30 June 2012. The Directors recommend the payment of a final dividend of Shs 1.50 per share (2011; Shs 1.70 per share) amounting to Shs 317 million (2011: 204 million). Payment of dividends is subject to withholding tax at a rate of either 5% or 10% depending on the residence of the respective shareholders.

17 Statutory reserve

The statutory reserve represents amounts set up in the Group's Ugandan subsidiary in accordance with the Ugandan Insurance Act, which requires the following amounts to be appropriated from earnings:

- a contingency reserve calculated at the higher of 2% of gross premium and 15% of net profits of UAP Uganda.
- a capital reserve, calculated at 5% of net profits of UAP Insurance Uganda Limited.

The reserve is available for distribution to the extent that the minimum amounts required by the Uganda Insurance Act are maintained.

Notes to the financial statements

For the year ended 31 December 2012 - continued

18 Goodwill

The goodwill arose from acquisition of UAP Insurance Uganda Limited in 2004 and UAP Financial Services Uganda in 2012 and is therefore all allocated to the Uganda Cash Generating Unit (CGU) for the purposes of impairment assessment.

	31-Dec 2012 Shs '000	31-Dec 2011 Shs '000
At start of year:	50,545	50,545
Arising from acquisition of UAP Financial Services Uganda	15,122	-
Total	**65,667**	**50,545**

During the period ended 31 December 2012, the company acquired controlling interest in UAP Financial services Uganda initially classified as an associate. The purchase price exceeded the fair value of net assets acquired and subsequent goodwill has been recognized as shown below:

	Kshs'000
Fair value of consideration	33,022
Net assets acquired	
Share capital	47,989
Retained earnings	(27,797)
Non-controlling interest 11%	(2,292)
Fair value of net assets acquired	17,900
Good will	**15,122**

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a 5 year period. The growth rates do not exceed the long-term average growth rates for the respective businesses in which CGUs operate.

The key assumptions used for the value in use calculations are:

	31 December 2012	31 December 2011
Growth rate %	22	22
Discount rate %	13	13

Management determined budgeted profit from operating activities based on past performance and its expectations for the market developments. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the Uganda segment.

Goodwill is classified as a non-current asset.

Notes to the financial statements

For the year ended 31 December 2012 - continued

19 Property and equipment

(a) Group

	Office furniture and equipment Kshs'000	Computer equipment Kshs'000	Motor Vehicles Kshs'000	Capital work-in progress Kshs'000	Telephone equipment Kshs'000	Total Kshs'000
Year ended 31 December 2012						
Cost	-	-	-	-	-	-
At 1 January 2012	**236,001**	**225,879**	**41,798**	**55,049**	**6,413**	**565,140**
Additions	18,142	18,533	11,636	-	9,078	57,389
Disposals	(871)	(77)	(7,992)	-	-	(8,940)
	-	-	-	-	-	-
Transfer	-	-	-	(52,671)	52,671	-
Translation difference	6,783	(1,012)	1,089	(2,378)	164	4,646
At 31 December 2012	**260,055**	**243,323**	**46,531**	**-**	**68,326**	**618,235**
Depreciation						
At 1 January 2012	**159,229**	**193,074**	**32,283**	**-**	**6,413**	**390,999**
Charge for the year	20,386	23,531	7,019	-	8,176	59,112
Accumulated depreciation on disposals	-	(77)	(7,317)	-	-	(7,394)
Translation difference	32	(1,431)	786	-	68	(545)
At 31 December 2012	**179,647**	**215,097**	**32,771**	**-**	**14,657**	**442,172**
Net book amount						
At 31 December 2012	**80,408**	**28,226**	**13,760**	**-**	**53,669**	**176,063**
Year ended 31 December 2011						
Cost						
At 1 January 2011	**211,653**	**207,401**	**35,451**	**146,971**	**6,413**	**607,889**
Additions	33,656	20,461	6,945	91,291	-	152,353
Disposals	(8,851)	(140)	(812)	-	-	(9,803)
Transfer from to investment property	-	-	-	(189,723)	-	(189,723)
Translation difference	(457)	(1,843)	214	6,510	-	4,424
At 31 December 2011	**236,001**	**225,879**	**41,798**	**55,049**	**6,413**	**565,140**
Depreciation						
At 1 January 2011	**144,608**	**172,987**	**28,074**	**-**	**6,413**	**352,082**
Charge for the year	23,616	20,291	5,750	-	-	49,657
Accumulated depreciation on disposals	(8,851)	(140)	(812)	-	-	(9,803)
Translation difference	(144)	(64)	(729)	-	-	(937)
At 31 December 2011	**159,229**	**193,074**	**32,283**	**-**	**6,413**	**390,999**
Net book amount						
At 31 December 2011	**76,772**	**32,805**	**9,515**	**55,049**	**-**	**174,141**

Notes to the financial statements

For the year ended 31 December 2012 - continued

19 Property and equipment (continued)

(b) Company

	furniture and equipment Kshs'000	Computer equipment Kshs'000	work-in progress Kshs'000	Telephone equipment Kshs'000	Total Kshs'000
Year ended 31 December 2012					
Cost					
At 1 January 2012	**802**	**-**	**52,672**	**-**	**53,474**
Additions	233	2,173	-	8,982	11,388
Transfer to related company	-	-	(29,509)	-	(29,509)
Capitalised	-	-	(23,163)	23,163	-
At 31 December 2012	**1,035**	**2,173**	**-**	**32,144**	**35,353**
Depreciation					
At 1 January 2012	**76**	**-**	**-**	**-**	**76**
Charge for the year	189	323	-	2,376	2,888
At 31 December 2012	**265**	**323**	**-**	**2,376**	**2,964**
Net book amount					
At 31 December 2012	**770**	**1,850**		**29,768**	**32,389**
Year ended 31 December 2011					
Cost					
At 1 January 2011	**-**	**163,642**	**-**	**-**	**163,642**
Additions	802	-	52,672	-	53,474
Transfer to related company	-	(163,642)	-	-	(163,642)
At 31 December 2011	**802**	**-**	**52,672**	**-**	**53,474**
Depreciation					
At 1 January 2011	**-**	**140,442**	**-**	**-**	**140,442**
Charge for the year	76	-	-	-	76
Transfer to related company	-	(140,442)	-	-	(140,442)
At 31 December 2011	**76**	**-**	**-**	**-**	**76**
Net book amount					
At 31 December 2011	**726**	**-**	**52,672**	**-**	**53,398**

Property and equipment are classified as non-current assets.

20 Intangible assets

(a) Group

	Computer software Shs '000	Work in progress Shs '000	Total Shs '000
Year ended 31 December 2012:			
Cost			
At 1 January 2012	**160,026**	**136,328**	**296,354**
Additions		101,834	101,834
Transfer from work in progress	238,162	(238,162)	0
At 31 December 2012	**398,188**	**-**	**398,188**
Depreciation			
At 1 January 2012	**86,838**	**-**	**86,838**
Charge for the year	94,692	-	94,692
At 31 December 2012	**181,530**	**-**	**181,530**
Net book amount	**216,658**	**-**	**216,658**

Notes to the financial statements

For the year ended 31 December 2012 - continued

20 Intangible assets (continued)

(a) Group (Continued)

Year ended 31 December 2011:			
Cost			
At 1 January 2011	**136,561**	**-**	**136,561**
Additions	23,465	136,328	159,793
At 31 December 2011	**160,026**	**136,328**	**296,354**
Depreciation			
At 1 January 2011	**48,089**	**-**	**48,089**
Charge for the year	38,749	-	38,749
At 31 December 2011	**86,838**	**-**	**86,838**
Net book amount			
At 31 December 2011	**73,188**	**136,328**	**209,516**

Work in progress relates to costs incurred to date in relation to the development of the Group's enterprise resource planning (ERP) system.

(b) Company

	2012 Shs '000	2011 Shs '000
Carrying value		
At start of year	209,516	87,300
Additions	-	23,465
Work in progress - Additions	100,306	136,328
Amortisation charge for the year	(94,692)	(37,577)
At end of year	**215,130**	**209,516**

The intangible assets for the company relate to computer software. All intangible assets are classified as non-current assets.

21 Investment properties

(a) Group

	2012 Shs '000	2011 Shs ' 000
At start of year	**5,126,783**	**3,225,259**
Additions	**1,941,699**	984,482
Transfer from property and equipment (note 19(a))	**-**	189,723
Fair value gains	**1,155,003**	702,399
Currency translation differences	**(103,577)**	24,920
At end of year	**8,119,908**	**5,126,783**

(b) Company

At start of year	1,000,000	-
Additions	528,953	417,056
Transferred from related parties (UAP Insurance Kenya)		335,777
Fair value (losses)/gains	(8,953)	247,167
At end of year	**1,520,000**	**1,000,000**

Notes to the financial statements

For the year ended 31 December 2012 - continued

21 Investment properties (continued)

(b) Company

The Group's investment properties were revalued in December 2012 and 2011 by Knight Frank Valuers, professional independent valuers in Kenya and Uganda respectively on the basis of open market. The open market value of all properties was determined using recent market prices. The rental income earned by the Group from its investment properties leased out under operating leases amounted to Shs 262 million (2011: Shs 215 million). Direct operating expenses arising on investment properties amounted to Shs 3.3 million (2011: Shs 15.1 million). All investment properties are classified as non-current assets.

22 Deferred income tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2011: 30%).

The movement on the deferred income tax account is as follows:

	31-Dec 2012 Shs '000	31-Dec 2011 Shs '000
At start of year:	(96,842)	(43,572)
Income statement charge / (credit) (Note 11)	(112,929)	(53,270)
Translation difference	13,871	-
Total	**(195,900)**	**(96,842)**

Disclosed as follows;

	31-Dec 2012 Shs '000	31-Dec 2011 Shs '000
Deferred tax asset	(47,991)	(28,884)
Deferred tax liability	243,891	125,726
Total	**195,900**	**96,842**

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

	1-Jan 2012 Shs '000	(Charged) / credited Shs '000	Translation Reserves Shs '000	31-Dec 2012 Shs '000
Property and equipment: - on historical cost basis	15,103	1,007	(91)	16,019
Investment property fair value gains	(141,367)	(128,893)	16,347	(253,913)
Other provisions	29,422	14,957	(2,386)	41,993
Net deferred tax liability	**(96,842)**	**(112,929)**	**13,871**	**(195,900)**

Notes to the financial statements
For the year ended 31 December 2012 - continued

22 Deferred income tax (continued)

	1-Jan 2011 Shs '000	(Charged) / credited Shs '000	31-Dec 2011 Shs '000
Property and equipment: - on historical cost basis	35,587	(20,484)	15,103
Investment property fair value gains	(109,984)	(31,383)	(141,367)
Other provisions	30,825	(1,403)	29,422
Net deferred tax liability	(43,572)	(53,270)	(96,842)

Deferred income tax liabilities are classified as non-current liabilities.

23 Retirement benefit obligation

Description of plan

The Group operates a funded defined benefit plan for all employees. The Scheme is open to new entrants. Scheme members' contributions are a fixed percentage of pensionable pay with the Group responsible for the balance of the cost of benefits accruing. The Scheme is established under trust. The Scheme funds are invested by a fund manager in a variety of asset classes comprising government securities (Treasury bills and bonds), stocks and shares and commercial paper.

The amounts recognised in the statement of financial position:

	2012 Kshs'000	2011 Kshs'000
Present Value of funded obligations	455,896	360,193
Fair value of plan assets	646,596	488,571
Present value of unfunded obligations/(over-funding)	(190,700)	(128,378)
Unrecognised acturial gains	42,961	-
Asset in the balance sheet	**(147,739)**	**(128,378)**

The retirement benefit asset is classified as a non-current asset. The movement in the defined benefit obligation over the year was as follows:

	2012 Kshs'000	2011 Kshs'000
At start of year	**360,193**	**318,680**
Current service cost	46,630	29,169
Interest cost	51,918	29,705
Actuarial gains	21,763	7,662
Benefits paid	(24,608)	(25,023)
At end of year	**455,896**	**360,193**

The movement in the fair value of the plan assets is as follows:

Notes to the financial statements
For the year ended 31 December 2012 - continued

23 Retirement benefit obligation (continued)

	2012 Kshs'000	2011 Kshs'000
At start of year	**488,571**	**517,779**
Expected return on scheme assets	70,657	72,469
Actuarial gains/ (losses)	54,027	(134,731)
Employer contribution	35,492	23,583
Employee contribution	22,458	34,524
Benefits paid	(24,608)	(25,053)
At end of year	**646,597**	**488,571**

Plan assets compromise:	2012 Kshs'000	2012 %age	2011 Kshs'000	2011 %age
Equity instruments	141,965	21.96%	105,504	21.59%
Debt instruments	376,016	58.15%	287,902	58.93%
Other	128,615	19.89%	95,165	19.48%
At end of year	**646,596**	**100.00%**	**488,571**	**100.00%**

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the investment policy.

	2012 Kshs'000	2011 Kshs'000	2010 Kshs'000	2009 Kshs'000	2008 Kshs'000
Present value of defined benefit obligation	455,896	360,193	318,680	295,127	276,515
Fair value of plan assests	646,597	448,571	517,779	392,179	344,644
Surplus in the plan	**(190,701)**	**(128,378)**	**(199,099)**	**(97,052)**	**(68,129)**

Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

Expected contributions to the plan for the year ending 31 December 2012 are Shs 58,107,000

The amounts recognised in the income statement for the year are as follows:

	2012 Kshs'000	2011 Kshs'000
Current service cost (net of employee contribution)	24,172	(5,355)
Interest cost	51,918	29,705
Expected return on plan assets	(70,657)	(72,469)
Net actuarial gains recognised in the year	10,697	34,084
Past service costs	-	-
Net charge for the year included in staff costs (note 10)	**16,130**	**(14,035)**

The principal actuarial assumptions used were as follows:	2012 %age	2011 %age
Discount rate	14%	14%
Expected rate of return on scheme assets	14%	!4%
Future salary increases	12%	12%
Future pension increases	4.9%	4.9%

Notes to the financial statements

For the year ended 31 December 2012 - continued

24 Equity investments

The Group's equity investments are measured at fair value with fair value changes recorded through either other comprehensive income or income statements for different portfolios of equity investments, following early adoption of IFRS 9, as follows:

(a) Equity investments at fair value through other comprehensive income

	2012 Shs '000	2011 Shs '000
At start of year	1,889,088	2,482,525
Additions	39,335	114,184
Disposals	-	(55,082)
Fair value (losses)/gains charged to other comprehensive income	775,081	(660,125)
Translation difference	(3,837)	7,586
At end of the year	**2,699,667**	**1,889,088**

(b) Equity investments at fair value through profit or loss

	2012 Shs '000	2011 Shs '000
At start of year	**617,753**	**930,154**
Additions	505,952	79,590
Disposals	(507,157)	(149,632)
Fair value (losses)/gains charged to statement of profit or loss	190,316	(241,214)
Translation difference	(100)	(1,145)
At end of the year	**806,764**	**617,753**
Total	**3,506,431**	**2,506,841**
(i) Listed securities		
At start of year	**2,471,665**	**3,378,320**
Additions	545,287	193,774
Disposals	(507,157)	(204,714)
Fair value (losses)/gains charged to other comprehensive income	756,192	(660,941)
Fair value (losses)/gains charged to statement of profit or loss (note 6)	190,316	(241,214)
Translation difference	(3,599)	6,441
At the end of year	**3,452,704**	**2,471,665**
(ii) Unlisted securities		
At start of year	**35,175**	**34,359**
Fair value gains unrealized charged to other comprehensive income	18,889	816
Translation difference	(337)	-
At the end of year	53,727	35,175
At the end of year	**3,506,431**	**2,506,840**

All equity investments are classified as non - current assets.

Notes to the financial statements

For the year ended 31 December 2012 - continued

25 (a) Investment in associates

During 2012, the company acquired controlling interest in UAP financial Services Uganda initially classified as investment in associate. The 42% holding had been written down to nil in the consolidated financial statements as at the close of 2011 due to accumulated losses. The purchase price, net assets and goodwill thereof are shown in note 18 (goodwill).

The amount of Shs 3,255,000 reflected as cost of investment in the company has been transferred and forms part of the purchase consideration in the investment in subsidiary.

(b) Investments in subsidiaries

	Country of Incorporation	Interest held	2012 Kshs'000	2011 Kshs'000
UAP Insurance Company Limited (Kenya)	Kenya	100%	600,000	600,000
UAP Life Assurance Limited (Kenya)	Kenya	100%	560,791	111,790
UAP Insurance Limited (Sudan)	Sudan	100%	339,442	213,668
UAP Insurance Limited (Uganda)	Uganda	53%	202,507	202,507
UAP Financial Services Limited (Kenya)	Kenya	100%	10,000	10,000
UAP Financial Services Limited (Uganda)	Uganda	89%	36,277	-
UAP Properties Limited (Uganda)	Uganda	79%	488,743	488,743
UAP Brokers (DRC)	DRC	100%	4,219	-
UAP Investments (Kenya)	Kenya	100%	20,000	-
Total			**2,261,979**	**1,626,708**

During the year, the company increased its investments in subsidiaries as follows:

		2012 Kshs'000	2011 Kshs'000
UAP Life Assurance Limited (Kenya)	Kenya	449,001	41,456
UAP Insurance Limited (Sudan)	Sudan	125,774	-
UAP Financial Services Limited (Uganda)	Uganda	36,277	-
UAP Brokers (DRC)	DRC	4,219	-
UAP Investments (Kenya)	Kenya	20,000	-
UAP Properties Limited (Uganda)	Uganda	-	488,743
Total		**635,271**	**530,199**

The investment in subsidiaries is classified as a non-current asset.

26 Mortgage loans receivable

	2012 Kshs'000	2011 Kshs'000
At start of year	**134,421**	**64,103**
Loan advanced	51,598	93,891
Loan Repayment	(40,089)	(23,587)
Transaltion difference	1,437	14
At end of year	**147,367**	**134,421**

Maturity profile of loans

	2012	2011
Loans maturing		
Within 1 year	2,431	7,107
In 1-5 years	14,408	10,368
In over 5 years	130,528	116,946
	-	-
	147,367	**134,421**

There is no concentration of credit risk with respect to mortgage loans. Loans maturing within 1 year are classified as current assets while those with a maturity period of more than 1 year are classified as non-current assets.

Notes to the financial statements
For the year ended 31 December 2012 - continued

27 Reinsurer's share of insurance liabilities

	2012 Shs'000	2011 Shs'000
Reinsurer's share of:		
Unearned premium (Note 37)	698,853	631,984
Notified claims outstanding:		
- short term insurance (Note 35)	580,128	470,012
- long term insurance contract liabilities (Note 35)	171,667	123,603
Claims incurred but not reported short term insurance (Note 35)	74,033	90,346
At end of year	**1,524,681**	**1,315,945**

Amounts due from reinsurers in respect of claims already paid by the Group on contracts that are reinsured are included in receivables arising out of reinsurance arrangements on the statement of financial position. Movements in the above reinsurance assets are shown in note 35 and 37.

Reinsurer's share of insurance liabilities is classified as a current asset.

28 Deferred acquisition costs

	2012 Kshs'000	2011 Kshs'000
At start of year	**216,328**	**201,577**
Additions	80,408	113,142
Amortisation charge	(34,024)	(98,845)
Translation difference	(3,849)	454
At end of year	**258,863**	**216,328**

Deferred acquisition costs are classified as current assets.

29 Other receivables and prepayments

(a) Group

	2012 Shs '000	2011 Shs '000
Prepayments	294,352	57,965
Accrued income	4,172	12,687
Staff debtors	68,920	64,547
Other	120,227	59,152
	487,671	**194,351**

There are no individually significant items under other category.

Notes to the financial statements
For the year ended 31 December 2012 - continued

29 Other receivables and prepayments (continued)

(b) Company

	2012 Shs '000	2011 Shs '000
Prepayments	13,181	69,065
Due from related party (note 43 (iv))	1,266,041	492,783
	1,279,222	**561,848**

30 Government securities

	2012 Shs '000	2011 Shs '000
(i) At fair value:		
After 5 years	546,770	372,264
At end of the year	**546,770**	**372,264**
(ii) At amortised cost:		
Within 91 days from date of acquisition	40,000	48,798
91 days to 1 year	133,715	116,684
In 1-5 years	1,076,821	516,485
After 5 years	1,411,268	638,688
At end of the year	**2,661,804**	**1,320,655**
At end of the year	**3,208,574**	**1,692,919**

Government securities with a maturity period of up to 1 year are classified as current assets while those with a maturity profile of more than 1 year are classified as non-current assets.

31 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

(a) Group

	2012 Shs '000	2011 Shs '000
Cash and bank balances	964,607	642,113
Deposits with financial institutions	2,911,339	752,894
Treasury bills maturing within 90 days of the date of acquisition (note 30)	40,000	48,798
At end of the year	**3,915,946**	**1,443,805**

Notes to the financial statements
For the year ended 31 December 2012 - continued

31 Cash and cash equivalents (continued)

(b) Company

	2012 Shs '000	2011 Shs '000
Cash and bank balances	97,360	31,863
Deposits with financial institutions	2,529,780	-
At end of the year	**2,627,140**	**31,863**

Cash and cash equivalents are classified as current assets.

32 Insurance contract liabilities

	2012 Shs '000	2011 Shs '000
Short term insurance contracts		
- claims reported and claims handling expenses	2,013,441	1,715,371
- claims incurred but not reported	343,390	311,258
At end of the year	**2,356,831**	**2,026,629**
Long term contracts		
- claims reported and claims handling expenses	1,037,004	774,428
Total gross insurance liabilities	**3,393,835**	**2,801,057**

Insurance contract liabilities are classified as current liabilities. Movements in insurance liabilities and reinsurance assets are shown in Note 35.

(i) Short term insurance contracts liabilities

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 31 December 2012 and 31 December 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.

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

Notes to the financial statements

For the year ended 31 December 2012 - continued

32 Insurance contract liabilities (continued)

(i) Short term insurance contract liabilities (continued)

Accident year	2008 Kshs'000	2009 Kshs'000	2010 Kshs'000	2011 Kshs'000	2012 Kshs'000	Total Kshs'000
Estimate of ultimate claims costs						
At end of accident year	2,125,228	1,187,314	1,190,671	1,444,940	1,942,925	7,891,078
One years later	1,088,552	1,088,260	952,882	1,043,395	-	4,173,089
Two years later	1,044,346	1,100,407	916,745	-	-	3,061,498
Three years later	1,035,553	1,131,644	-	-	-	2,167,197
Four years later	1,053,389	-	-	-	-	1,053,389
Current estimate of cumulative claims	1,053,389	1,131,644	916,745	1,043,395	1,942,925	6,088,098
Less: Cumulative payments to date	**(1,025,293)**	**(1,080,417)**	**(799,258)**	**(882,285)**	**(1,289,501)**	**(5,076,754)**
Liability in the statement of financial position	28,096	51,227	117,487	161,110	653,424	1,011,344
Liability in respect of prior years	619	706	5,611	32,546	962,615	1,002,097
Incurred but not reported	-	-	-	-	343,390	343,390
Total gross claims liability included in the balance sheet	**28,715**	**51,933**	**123,098**	**193,656**	**1,959,429**	**2,356,831**

(ii) Long term business 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 are carried out on an annual basis.

Valuation assumptions

The latest actuarial valuation of the Life Fund was carried out as at 31 December 2011 by QED Actuaries and Consultants, using the Net Premium Valuation method (and basis) prescribed by the Kenyan Insurance Act, 1988, as amended, and the Gross Premium Valuation (GPV) method for the universal and unit-linked policies for which it was not possible to use the NPV method. The GPV method is generally accepted in the actuarial industry as an appropriate method to place realistic value (with an appropriate allowance for margins) on the liabilities of a life Company. This method is based on a discounted cashflow approach taking into account the expected cashflows from the existing inforce business. By setting appropriate assumptions this method determines liabilities which are consistent with the value of assets included in the accounts.

The more significant valuation assumptions are summarised below. The assumptions used for the previous year-end valuation are shown in brackets:

Notes to the financial statements

For the year ended 31 December 2012 - continued

32 Insurance contract liabilities (continued)

(ii) Long term business contracts (continued)

a) Mortality – The Group used SA56-62 (2010: SA56-62) as a base table of standard mortality for the GPV valuation and KE01-03 (2010: A1949/52) for the NPV basis. Statistical methods are used to adjust the rates reflected in the table based on the Company's experience. An allowance for AIDS is made based on the Actuarial Society of South Africa's 2003 AIDS tables. For contracts insuring survivorship the a(55) (2010: a(55)) life table was used as a base; no allowance is made for future mortality improvements.

b) Persistency – The Group does not have sufficient historical data to allow statistical methods to be used to determine an appropriate persistency rate. The persistency rates used in the valuation were set according to the experience observed (by the actuary) in the Group's data

c) Investment returns are derived with reference to the return on long term fixed interest investments available in Kenya and adjusted to reflect the actual underlying mix of assets. For the current valuation, the rate of return was 13.5% p.a. (2010: 12% p.a.) for the GPV basis and 4% p.a (2010: 6% p.a) for the NPV basis.

d) Expenses, tax and inflation – The current level of renewal expenses were taken to be an appropriate expense base. Expenses pertaining to business establishment and expansion were excluded from the valuation assumption. Expense inflation is assumed to be 11.5% p.a. (2010:9% p.a.). It has been assumed that the current tax legislation and rates continue unaltered. Under the NPV method it is not possible to model expenses, tax and inflation explicitly.

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. For long term insurance contracts without fixed terms and with discretionary participation in profits, the liability is set approximately equal to the value of the underlying asset of the contract. Hence, there is no sensitivity analysis for these types of contracts.

Contracts with Fixed and Guaranteed Terms - Variable:	Change in variable	Increase / (decrease) in liability 2012 Shs '000	Increase / (decrease) in liability 2011 Shs '000
Worsening of mortality	10%	5,052	12,070
Lowering of investment returns p.a.	-1%	16,684	32,139
Worsening of expense inflation rate	1%	5,668	5,304
Worsening of lapse rate	10%	(3,489)	(28,433)

33 Amounts payable under deposit administration contracts

Deposit administration contracts are recorded at amortised cost. Movements in amounts payable under deposit administration contracts during the period were as shown below. The liabilities are shown inclusive of interest accumulated to the end of the reporting period. Interest was declared and credited to the customers accounts at a weighted average rate of 3.4 % for the year (2010: 10 %).

Notes to the financial statements
For the year ended 31 December 2012 - continued

33 Amounts payable under deposit administration contracts (continued)

	2012 Shs '000	2012 Shs '000
At start of year	**1,712,685**	**1,448,028**
Pension fund deposits received	443,186	425,524
Surrenders and annuities paid	(191,881)	(223,353)
Interest payable to policyholders	246,339	73,354
Other movements	(6,365)	(10,197)
Translation difference	(1,147)	(671)
At end of the year	**2,202,817**	**1,712,685**

Other movements relate to a release of excess liabilities recognised following reconciliation of the deposit administration policyholders accounts in the year. Amounts payable under deposit administration contracts are classified as current liabilities.

34 Unit-linked investment contracts

The benefits offered under these contracts are based on the return of a portfolio of equities and debt securities. The maturity value of the financial liabilities is determined by the fair value of the linked assets. There will be no difference between the carrying amount and the maturity amount at maturity date.

	2012 Shs '000	2011 Shs '000
At start of year	**658,841**	**637,323**
Premium received	139,660	114,385
Interest credited	134,272	(3,875)
Liabilities released for payment	(68,042)	(42,854)
Other movements	(16,496)	(46,138)
Translation difference	(871)	-
At end of the year	**847,364**	**658,841**

Unit linked investment contracts are classified as current liabilities. Other movements relates to increase in actuarial liabilities.

Notes to the financial statements
For the year ended 31 December 2012 - continued

35 Movements in insurance liabilities and reinsurance assets

	31-Dec-12			31-Dec-11		
	Gross Shs' 000	Reinsurance Shs' 000	Net Shs' 000	Gross Shs' 000	Reinsurance Shs' 000	Net Shs' 000
a) Short term insurance business						
Notified claims	1,715,371	(470,012)	1,245,359	1,523,138	(631,374)	891,764
Incurred but not reported	311,258	(90,346)	220,912	222,950	(75,976)	146,974
Total at beginning of year	**2,026,629**	**(560,358)**	**1,466,271**	**1,746,088**	**(707,350)**	**1,038,738**
Cash paid for claims settled in year	(1,848,125)	585,276	(1,262,849)	(2,416,282)	343,326	(2,072,956)
Increase in liabilities						
- arising from current year claims	1,094,975	(285,224)	809,751	1,424,014	(109,036)	1,314,978
- arising from prior year claims	1,083,352	(393,855)	689,497	1,272,809	(87,298)	1,185,511
Total at end of year	**2,356,831**	**(654,161)**	**1,702,670**	**2,026,629**	**(560,358)**	**1,466,271**
Notified claims	2,013,441	(580,128)	1,433,313	1,715,371	(470,012)	1,245,359
Incurred but not reported	343,390	(74,033)	269,357	311,258	(90,346)	220,912
Total at end of year	**2,356,831**	**(654,161)**	**1,702,670**	**2,026,629**	**(560,358)**	**1,466,271**
b) Long term insurance business						
At beginning of year	774,428	(123,604)	650,824	389,852	(74,364)	315,488
Premium received/valuation premium	919,260	(251,841)	667,419	497,864	(87,937)	409,927
Liabilities released for payments	(656,684)	203,778	(452,906)	(113,288)	38,697	(74,591)
Total at end of year	**1,037,004**	**(171,667)**	**865,337**	**774,428**	**(123,604)**	**650,824**
Total at end of year	**3,393,835**	**(825,828)**	**2,568,007**	**2,801,057**	**(683,962)**	**2,117,095**

36 Borrowings

	2012 Shs '000	2011 Shs '000
(a) Group		
At start of year	**1,153,153**	**498,768**
Proceeds from borrowings	1,011,736	938,573
PE investors convertible loans (note 13)	4,552,099	-
Interest cost payable	161,476	52,252
Converted into ordinary shares	(4,552,099)	-
Loan and Interest paid	(1,309,329)	(336,440)
At end of the year	**1,017,036**	**1,153,153**

Notes to the financial statements
For the year ended 31 December 2012 - continued

36 Borrowings (continued)
(b) Company

	2012 Shs '000	2011 Shs '000
At start of year	**890,000**	**-**
Proceeds from borrowings	150,000	890,000
PE investors convertible loans	4,552,099	-
Interest cost payable	293,897	18,888
Converted into ordinary shares	(4,552,099)	-
Loan and interest paid	(1,333,897)	(18,888)
At end of the year	**-**	**890,000**

Bank borrowings are repayable on demand and bear an average interest rate of equivalent to the 91-day treasury bill rate plus 1.5% -2% per annum (2010: 91-day treasury bill rate plus 1.5% -2% per annum).

Bank borrowings are classified as current liabilities. The carrying amounts of borrowings approximate to their fair value.

None of the borrowings was in default at any time during the year.

37 Unearned premium

Unearned premium represents the liability for short term business contracts where the Group's obligations are not expired at the year end. Movements in the reserve are shown below:

			31-Dec-12			31-Dec-11
	Gross Shs' 000	Reinsurance Shs' 000	Net Shs' 000	Gross Shs' 000	Reinsurance Shs' 000	Net Shs' 000
At beginning of the year	2,769,805	(631,984)	2,137,821	2,210,787	(292,400)	1,918,387
Increase in the year	608,702	(66,869)	541,832	559,018	(339,584)	219,434
At end of year	**3,378,507**	**(698,853)**	**2,679,653**	**2,769,805**	**(631,984)**	**2,137,821**

Unearned premiums are classified as current liabilities.

38 Other payables

(a) Group

	2012 Shs '000	2011 Shs '000
Deferred income	30,004	977
Accrued expenses	282,512	70,394
Accrued leave	51,897	29,019
Withheld taxes	5,084	1,302
Public offer funds due for refund	111,377	-
Other liabilities	394,445	107,426
At end of the year	**875,319**	**209,118**

Other payables are classified as current liabilities. There are no individually significant items under other liabilities.

Notes to the financial statements
For the year ended 31 December 2012 - continued

38 Other payables (continued)

(b) Company

	2012 Shs '000	2011 Shs '000
Accrued expenses	113,333	64,916
Other liablities	87,256	-
Public offer funds due for refund	111,377	-
At end of the year	**311,966**	**64,916**
Due to related parties (note 43 (iv))	**1,405,155**	**1,115,853**

There are no individually significant items under "other liabilities."

39 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations

	2012 Shs '000	2011 Shs '000
Profit before tax	**1,747,951**	**1,209,912**
Adjustments for:		
Investment income (Note 6)	(2,439,796)	(1,068,311)
Depreciation (Note 19)	59,112	49,657
Amortisation (Note 20)	94,692	38,749
Finance costs (Note 36)	161,476	52,252
Gain on disposal of property and equipment	(464)	(676)
Changes in:		
Insurance contract liabilities (net)	384,044	762,870
Deposit administration contracts	490,131	264,657
Unit-linked contracts	188,523	21,518
Unearned premium (net)	608,702	219,434
Re-insurance and other payables	1,365,195	(177,971)
Direct insurance, re-insurance and other receivables	(1,473,618)	(211,931)
Deferred acquisition costs	(42,535)	(13,094)
Retirement benefit asset	(19,361)	(35,456)
Cash generated from operations	**1,124,052**	**1,111,609**

40 Contingent liabilities

In common with the insurance industry in general, the Group's insurance subsidiaries are subject to litigation arising in the normal course of insurance business. The directors are of the opinion that this litigation will not have a material effect on the financial position or profits of the Group.

Notes to the financial statements

For the year ended 31 December 2012 - continued

41 Commitments

Capital expenditure committed but not contracted for at financial reporting date is as follows:

	2012 Shs '000	2011 Shs '000
Capital expenditure	**2,612,558**	**6,500,000**

The capital expenditure committed but not contracted relates to three major contracts for the construction of investment properties in Kenya, Uganda and Sudan. These projects are estimated to cost approximately Shs 7.4 billion. They are estimated to take 24 months to complete.

42 Financial instruments by category

a) Financial assets

The Group's financial assets are summarised by measurement category in the table below.

	2012 Shs '000	2011 Shs '000
At amortised cost	11,183,629	5,612,081
At fair value	4,053.201	2,879,105
	15,236,831	**8,491,186**
At amortised cost		
Government securities	2,661,804	1,320,655
Corporate bonds	426,683	136,137
Receivables arising out of reinsurance arrangements	485,929	134,952
Receivables arising out of direct insurance arrangements	1,867,900	1,038,578
Reinsurers' share of insurance liabilities	1,524,681	1,315,945
Other receivables	193,319	136,386
Bank deposits	2,911,339	752,894
Bank balances	964,607	642,113
Mortgage loans receivable	147,367	134,421
	11,183,629	**5,612,081**
Financial assets at fair value		
Equity investment		
- At fair value through other comprehensive income	2,699,668	1,889,088
- At fair value through profit or loss	806,764	617,753
Government securities at fair value through profit or loss	546,770	372,264
	4,053,201	**2,879,105**

Notes to the financial statements

For the year ended 31 December 2012 - continued

42 Financial instruments by category (continued)

b) Financial liabilities

All the Group's financial liabilities are measured at amortised cost. The carrying value of the Group's and the Company's financial liabilities at the end of 2011 and 2012 is shown on note 4(b).

43 Related party transactions

The group is controlled by UAP Holdings Limited incorpoted in Kenya, being the ultimate parent of the Group. There are other companies that are related to UAP Holdings Limited through common shareholdings or common directorships. The following transactions were carried out with related parties:

	2012 Shs '000	2011 Shs '000
i) Administration of staff pension scheme- Group		
Contributions paid	35,492	23,583
Benefits paid	(24,608)	(25,053)
ii) Transactions with related parties - Company		
Transfer of property& equipment		
UAP Insurance Company Limited - Kenya	21,900	(23,200)
UAP Insurance Limited (Uganda)	3,871	-
UAP South Sudan	3,738	-
Interest paid to UAP Insurance Company	159,856	-
iii) Outstanding balances with related parties - Group		
Mortgage loans receivable (note 25)	147,367	134,421

Mortgages are advanced to executive management and are fully secured on the mortgage properties and are charged interest at 6% (2011: 6%).

	2012 Shs '000	2011 Shs '000
iv) Outstanding balances with related parties - Company		
Amount payable to UAP Insurance Company Limited - Kenya	1,374,530	1,044,944
Amount payable to UAP Life Assurance Limited	30,625	51,521
Amount payable to UAP Sudan Limited	-	19,388
At end of year	**1,405,155**	**1,115,853**
Amount receivable from UAP Insurance Limited	370,500	472,500
Amount receivable from UAP Insurance Limited (Sudan)	13,009	-
Amount receivable from UAP Insurance Limited (Uganda)	(8,660)	-
Amount receivable from UAP Financial Services Limited (Uganda)	633	11,982
Amount receivable from UAP Properties Limited (Uganda)	133,944	-
Amount receivable from UAP Properties Limited (Sudan)	107,000	-
Amount receivable from Union Insurance (Rwanda)	24,499	8,301
Amount receivable from UAP Brokers (DRC)	21,419	-
Amount receivable from UAP Investments (Kenya)	9,060	-
Amount receivable from UAP Global Services (Mauritius)	424,437	-
Amount receivable from UAP Africa Limited (Mauritius)	170,200	-
At end of year	**1,266,041**	**492,783**

Notes to the financial statements

For the year ended 31 December 2012 - continued

43 Related party transactions (continued)

	2012 Shs '000	2011 Shs '000
The amounts payable to related parties have no specific repayment date.		
v) Loan to directors		
At start of year	39,694	23,971
Loan advanced during the year	3,000	17,000
Loans repayments received	(3,445)	(1,277)
At end of year	**39,249**	**39,694**

Loans to directors are fully secured and are charged interest at 6% (2010: 6%).

	2012 Shs '000	2011 Shs '000
vii) Key management compensation		
Salaries (Including executive directors salaries)	296,672	186,912
Retirement benefits costs	23,347	25,728
Total	**320,019**	**212,640**
vi) Directors emoluments		
Executive salaries (included in key management compensation above)	121,397	84,251
Fees	38,976	34,016
Other remuneration	4,523	-
Total	**164,896**	**118,267**