

75
YEARS
IN AFRICA

100
YEARS
IN EAST
AFRICA



UAP HOLDINGS PLC



**175 YEARS
DRIVING
GROWTH
IN AFRICA**

OLDMUTUAL



175 YEARS OF **DOING GREAT THINGS**

**ANNUAL REPORT &
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020**

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OLD MUTUAL LIMITED AFRICA

WHO WE ARE

Old Mutual was established in Cape Town in 1845 as South Africa's first mutual life insurance company, offering financial security in uncertain times.

Today, the Group has grown into a premium pan-African financial services Group that offers a broad spectrum of financial solutions to retail and corporate customers across key market segments in **13 countries**, with **listings on five stock exchanges**.

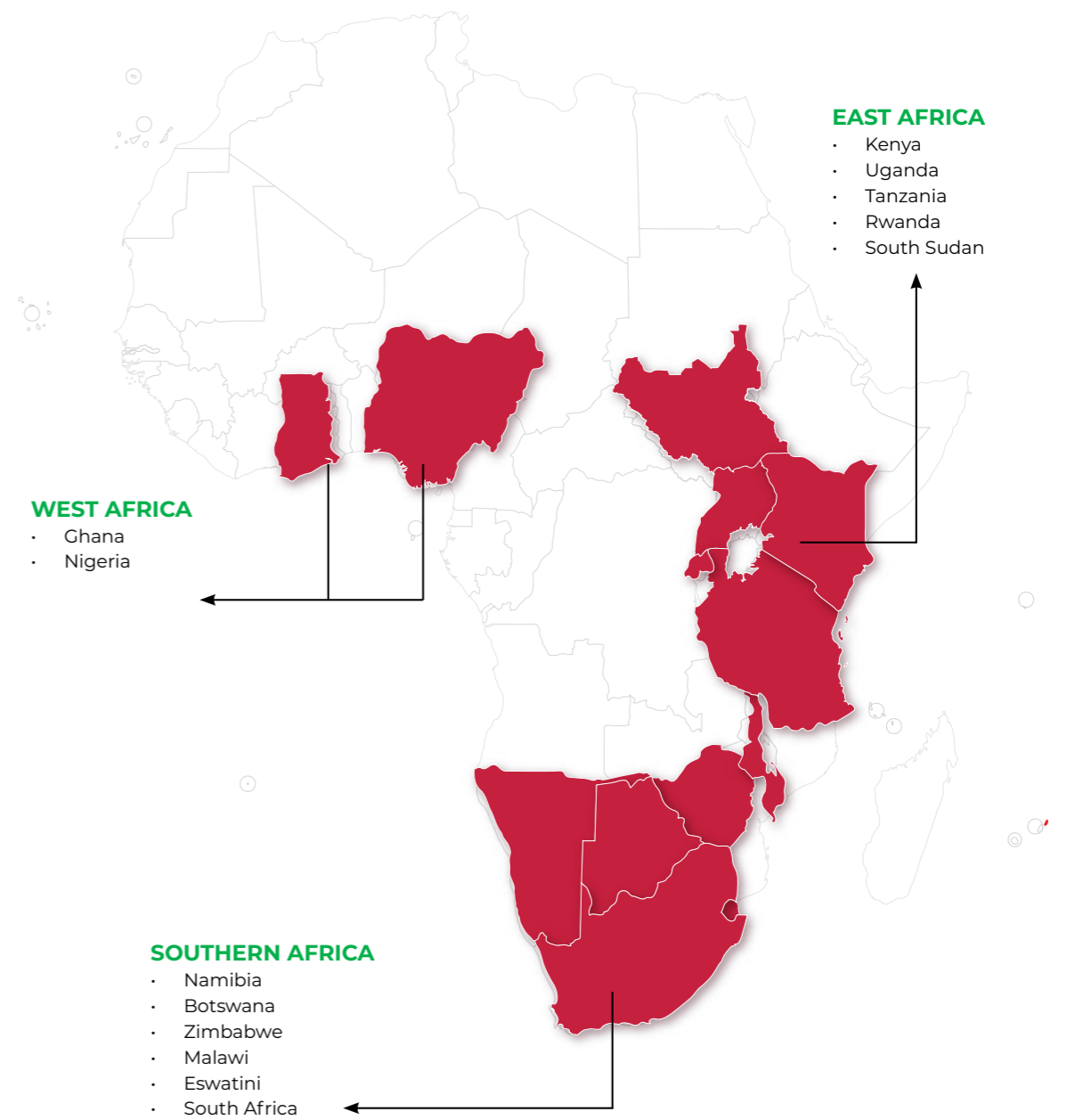
We now employ about **30,000 people** in our primary operations in South Africa and the Rest of Africa, and a niche business in China.

- ◊ Africa (South Africa, Namibia, Botswana, Zimbabwe, Kenya, Malawi, Tanzania, Nigeria, Ghana, Uganda, Rwanda, South Sudan and eSwatini)
- ◊ Asia (China)



ON 17 MAY 2020 OLD MUTUAL TURNED 175.

This is an incredible milestone that we can be really proud of. It means we have succeeded in staying relevant to our customers and responsive to their changing needs, year after year for 175 years.





OUR PURPOSE, VISION & VALUES



Our purpose

Transforming lives and enabling financial goals by keeping our promises



Our vision

To be our customers' most trusted lifetime partner, passionate about helping them achieve their financial goals.



UAP OLD MUTUAL GROUP EAST AFRICA

The UAP Old Mutual Group is comprised of Faulu Microfinance Bank, UAP Holdings Plc and its subsidiaries and the Old Mutual Life Assurance and Asset Management Group of Companies, forming one of the largest financial services groups with a growing footprint in East Africa. The Group was formed in 2015 after Old Mutual acquired a controlling stake in Faulu Microfinance Bank in 2014 and UAP Holdings in 2015.

The Group pursues an integrated financial services model that avails to customers a comprehensive range of financial solutions which include Investment, Insurance, Banking and Savings, through a wide and more accessible distribution network.

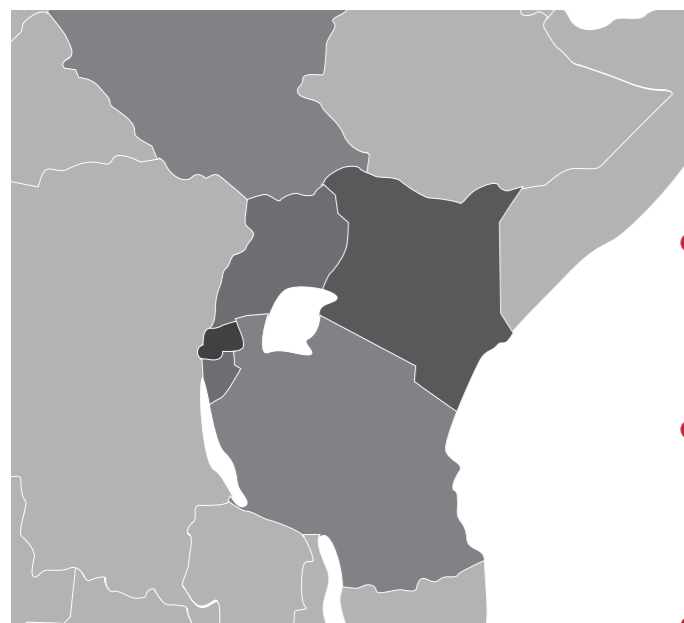
The UAP Old Mutual Group is part of Old Mutual Limited (OML). As part of OML, UAP Old Mutual is able to leverage technology, technical expertise and to offer broad career growth prospects for its employees.

Our customers can now be assured of holistic solutions and unrivalled convenience to enable them realise their dreams.

ARTHUR OGINGA
GROUP CEO, UAP OLD MUTUAL GROUP

UAP HOLDINGS LIMITED EAST AFRICA

UAP Holdings is an East African Services Group offering insurance, investment management, property development & investments, security brokerage and financial advisory. Currently, UAP Holdings has 11 businesses operating in Kenya, Uganda, South Sudan, Rwanda and Tanzania



11
BUSINESS

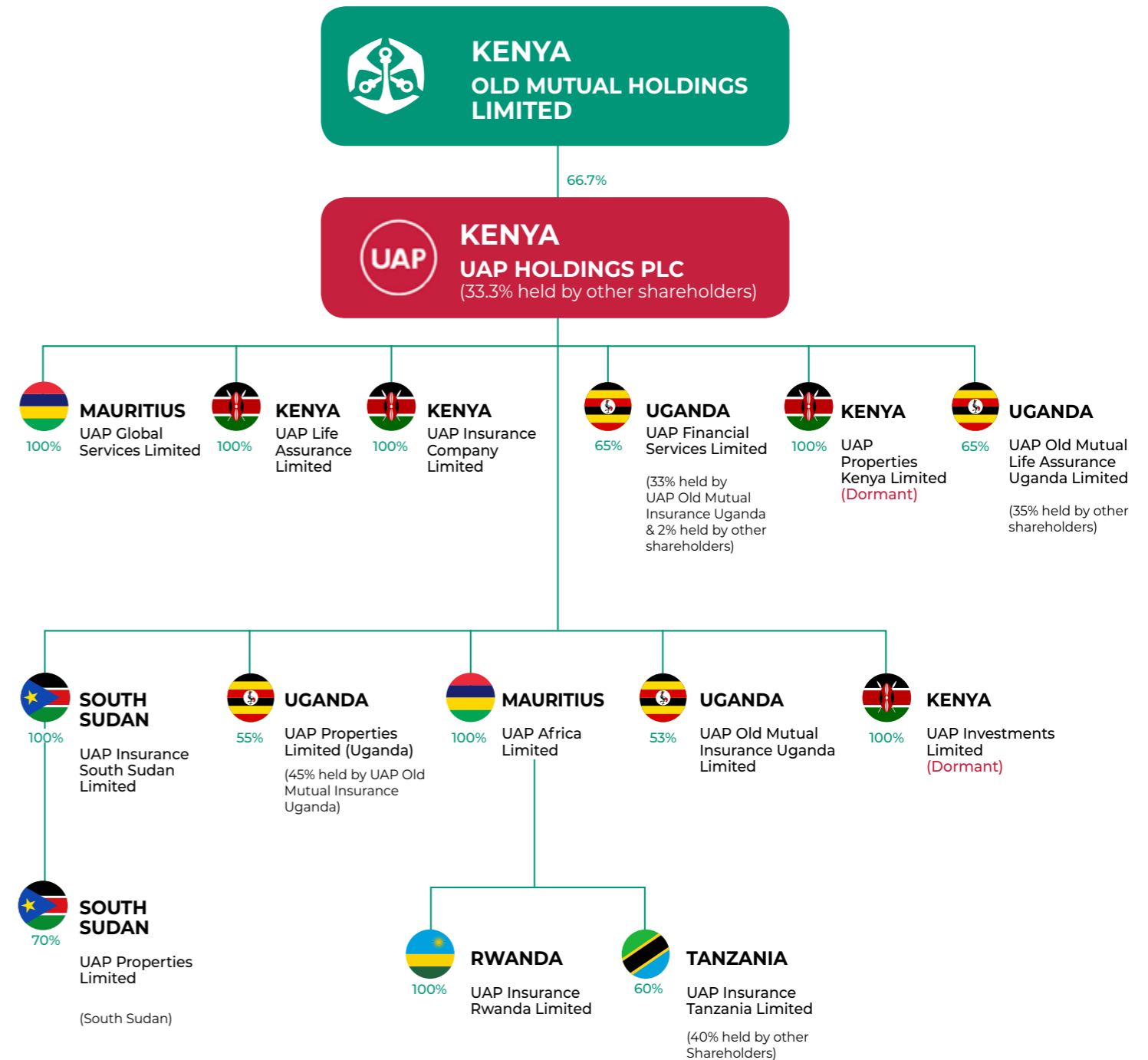
5
COUNTRIES

- INSURANCE
- INVESTMENT MANAGEMENT
- PROPERTY DEVELOPMENT
- SECURITIES BROKERAGE
- FINANCIAL ADVISORY

UAP HOLDINGS PLC EAST AFRICA

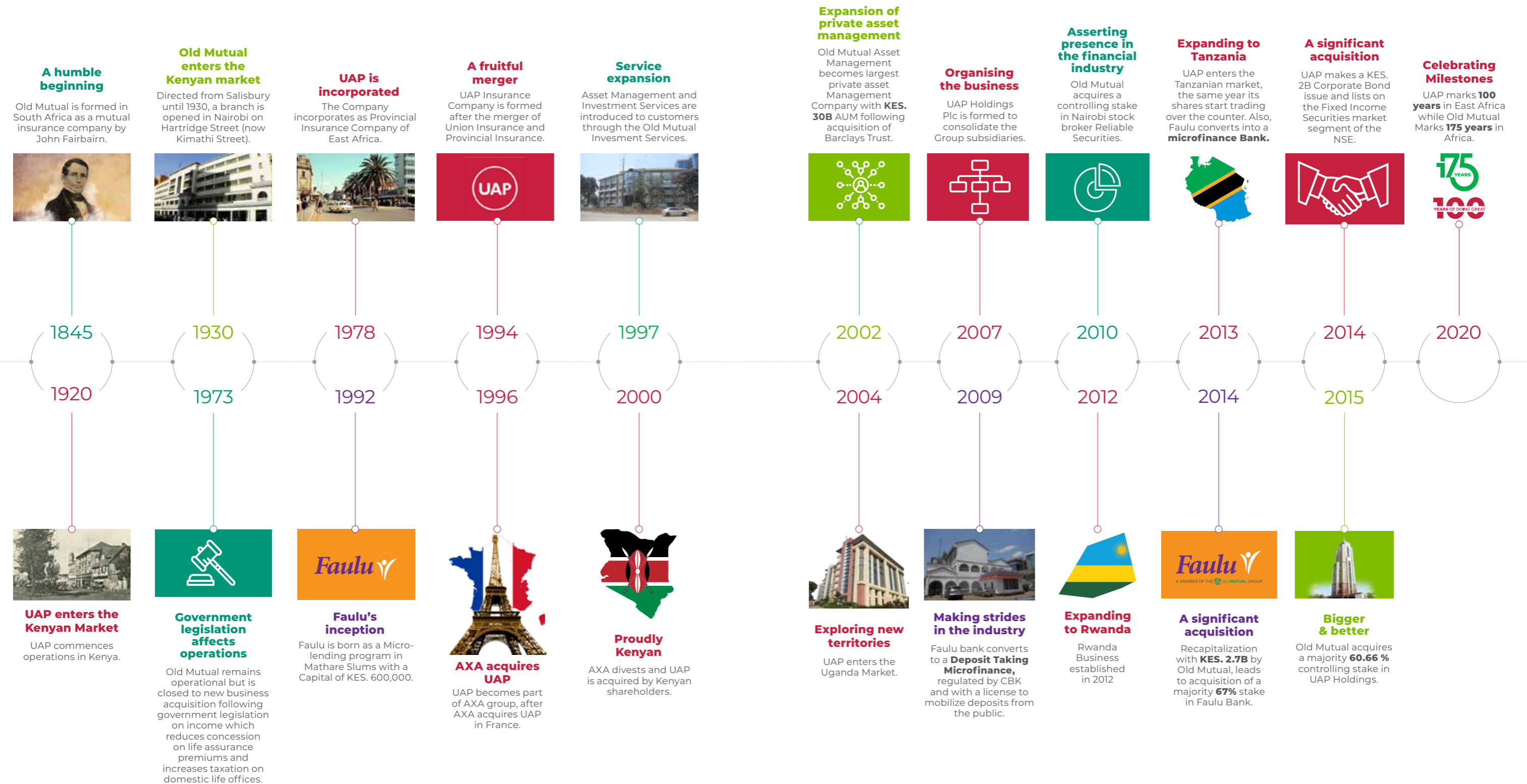
UAP Holdings is an East African financial services group which comprises seven subsidiaries that underwrite life and non-life insurance risks in Kenya, Uganda, Tanzania, South Sudan and Rwanda, a stock brokering company in Uganda and two property companies in Uganda and South Sudan.

ORGANISATIONAL STRUCTURE



OUR HISTORY

OUR JOURNEY THROUGH 100 YEARS IN EAST AFRICA & 175 YEARS IN AFRICA



**OLD MUTUAL LIMITED
AT A GLANCE**

**OLD MUTUAL IS AN AFRICAN FOCUSED
INVESTMENT, SAVINGS, INSURANCE & BANKING
GROUP.**

Old Mutual began in Cape Town in 1845 as South Africa's first mutual life insurance company, offering financial security in uncertain times. Today, 175 years on, Old Mutual Limited offers a broad spectrum of financial solutions to retail and corporate customers across key markets in 14 countries; serving a combined 11.3 million customers.

OLD MUTUAL LIMITED (OML) IS NOW ANCHORED IN AFRICA. WITH THE LISTING ON THE JOHANNESBURG STOCK EXCHANGE AND CROSS - LISTING ON EXCHANGES IN MALAWI, NAMIBIA AND ZIMBABWE, OML IS NOW AN AFRICAN BUSINESS FOCUSED ON SERVING CUSTOMERS ACROSS THE CONTINENT.

Old Mutual's customers are at the heart of everything it does. The success of the Company is as a result of the continued support and trust of its customers. Old Mutual aims to be the customers most trusted financial partner helping them achieve their lifetime financial goals while investing their funds in ways that will secure a positive future for themselves and their families.



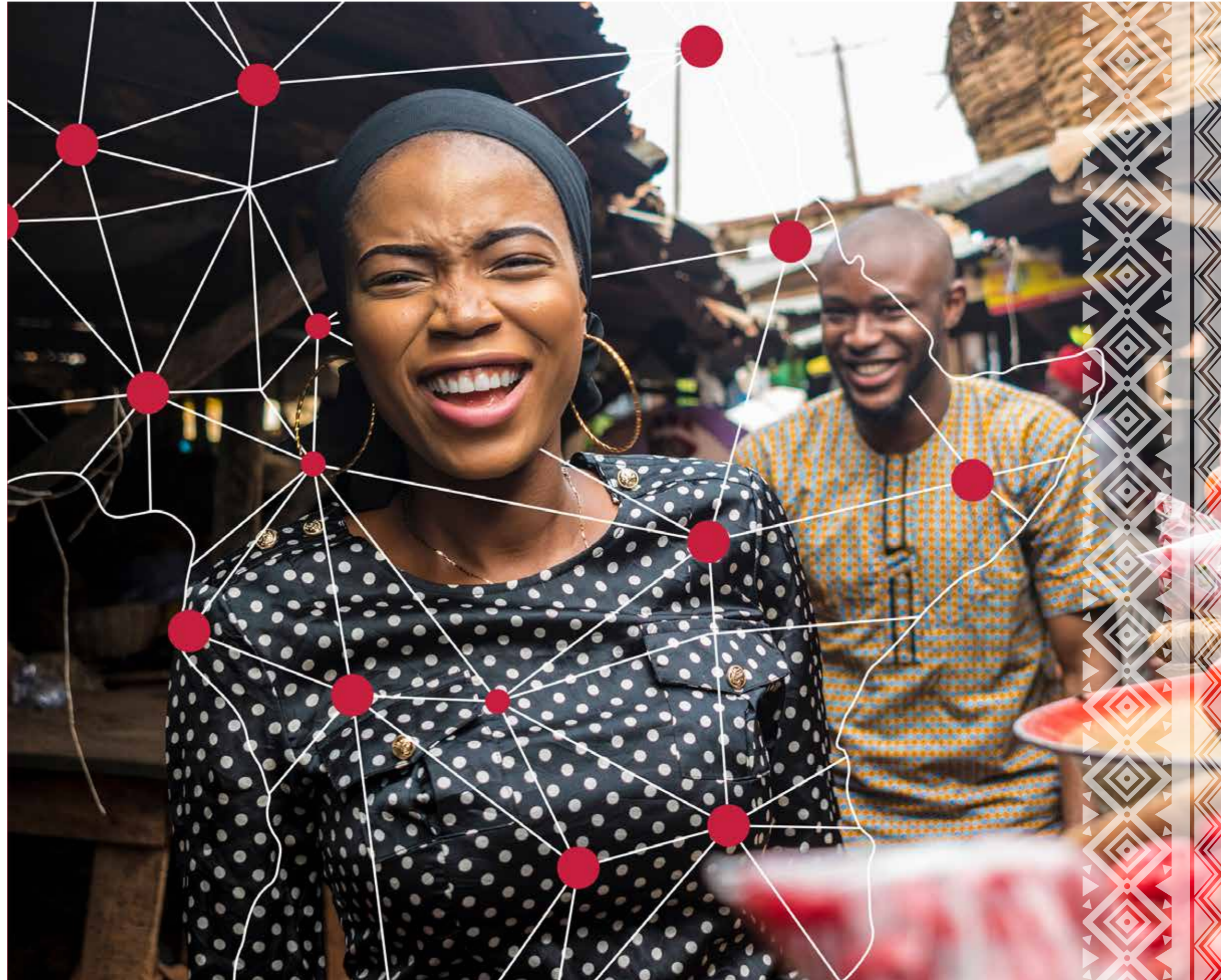
11.3M
CUSTOMERS



14
COUNTRIES



R1,044.1 BN
FUNDS UNDER MANAGEMENT



OUR STRATEGY

STRONG FOUNDATION

Built on **175 YEARS** of history

Our refreshed strategy builds on a strong foundation of serving customers for more than 175 years, our trusted brand and enviable distribution scale. We considered the environment that we operate in, changing customer needs driven by technology, fierce competition and sustainability in order to stay relevant to all stakeholders in the longer term. Our strategy is deliberate in building on our foundation by aggressively driving brand differentiation, providing solutions that meet changing customer needs and enabling a seamless transition between face to face and digital journeys. We draw on our talented and engaged employees to achieve these aspirations. We remain mindful of our responsibility to society and the important role we play in ensuring positive futures for our customers and communities.



Strong financial base



Trusted brand



Enviably distribution force



3,298 committed employees across East Africa



Meaningful contributor to the green economy



Agile and resilient



Driving transformation



We will make it evident that **UAP Old Mutual Cares** through solutions and actions that support customers, their families, and communities



We will aim to be **Always present first** by ensuring that propositions and advice are available to customers when and how they need them, and through our brand that is always top of mind



We will build **Rewarding digital engagement** through considerate and effective use of advice and customer data



Our high performing **Engaged employees** will make meaningful contributions to achieve our purpose, vision and values



We will deliver **Solutions that lead** in service and performance, for insurance, investments and supporting banking needs

a truly
Mutual strategy

WHY DO WE EXIST?

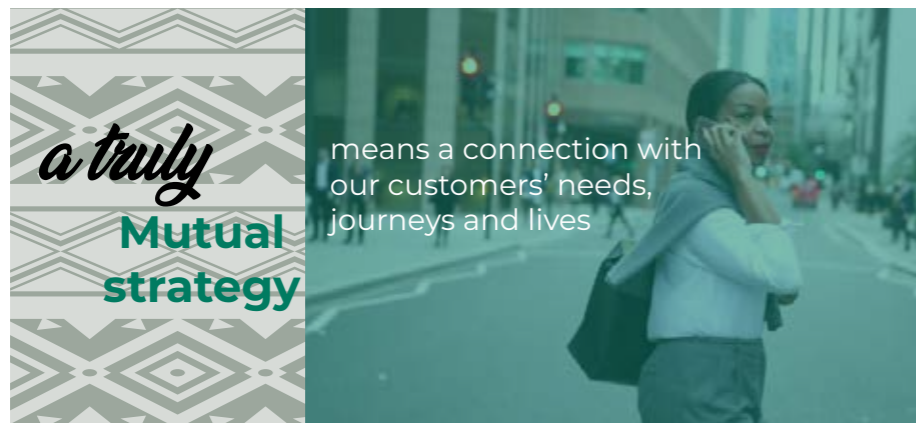
Our purpose is to Transform lives and enable financial goals by keeping our promises

WHERE DO WE WANT TO BE?

Our vision is to be our customers' 1st choice to sustain, grow and protect their prosperity

WHAT WE WILL ACHIEVE

We believe that delivery on the CARES pillars will enable us to be our customers' 1st CHOICE and responsibly build the MOST VALUABLE BUSINESS in our industry



STRATEGY PILLARS

UAP Old Mutual CARES



- We demonstrate “care” by executing our Responsible Business framework through our seven focus areas, to deliver shared value and make a positive impact to all of our stakeholders. Our focus areas are: Responsible Investing, Environmental Impact, Financial Education and Inclusion, Education, Skills Development, Diversity and Inclusion and Entrepreneurship.
- To drive financial inclusion and support customers through financial education, we offer them accessible and affordable solutions.

ALWAYS PRESENT FIRST



- We will maintain our dominance across our physical channels. We plan on translating our success in these channels with digital solutions that provide a seamless and integrated customer experience across all touch points. Enhancing our physical reach with a digital presence will help us to be “always present”.
- This will be supported by a strong brand presence so that when customers think of financial services, they think of us first.

REWARDING DIGITAL ENGAGEMENT



- We will convert our understanding of our customers’ goals and circumstances to provide personalised, regular and meaningful engagement.
- At the centre of this intent is ‘MyOldMutual’, a pan-African digital platform that aims to deliver a seamless and integrated customer experience across our full suite of capabilities. This includes financial advice, financial education, rewards, data driven nudges and a full suite of modular products. This will enable us to offer customers the right solutions at the right time, enabling them to reach their financial goals.

ENGAGED EMPLOYEES



- We want all our employees to connect with, and be fully aligned to our purpose, vision and strategy. By creating an environment where employees find a deep sense of connection and meaning in our purpose, we can ensure that they will be passionate about delivering meaningful customer experiences at every point of the customer journey.
- We are also driving the requisite culture shifts to create an agile and execution-focused organisation.

SOLUTIONS THAT LEAD



- For solutions where we are already competitive and market leading, we will focus on enhancing their flexibility and ease of use. We will continuously improve solutions and launch innovative and refreshed propositions.
- In this way, customers will be able to meet all their primary financial services needs with us with easy access.

OUR OBJECTIVE

- To be known as a financial services provider that truly cares for its stakeholders and delivers shared value on the continent.

- To establish brand preference on the African continent through increased depth and scale of face to face and digital distribution. This will enable us to establish and maintain a leading market share.

- To deliver a meaningful and personalised customer experience, that is integrated across digital and face to face mediums through the MyOldMutual platform.
- To deliver a meaningful and personalised customer experience, that is integrated across digital and face to face mediums through the MyOldMutual platform.

- Building a compelling employee value proposition that attracts and retains key talent. Creating an engaged workforce that embraces new ways of working to deliver on strategic initiatives and always puts our customers first.

- The delivery of new retail product propositions that will differentiate our protection, savings and income solutions. These propositions will enable key shifts that our customers require including customised solutions and the best advice delivered through a seamless experience.

DIRECTORS



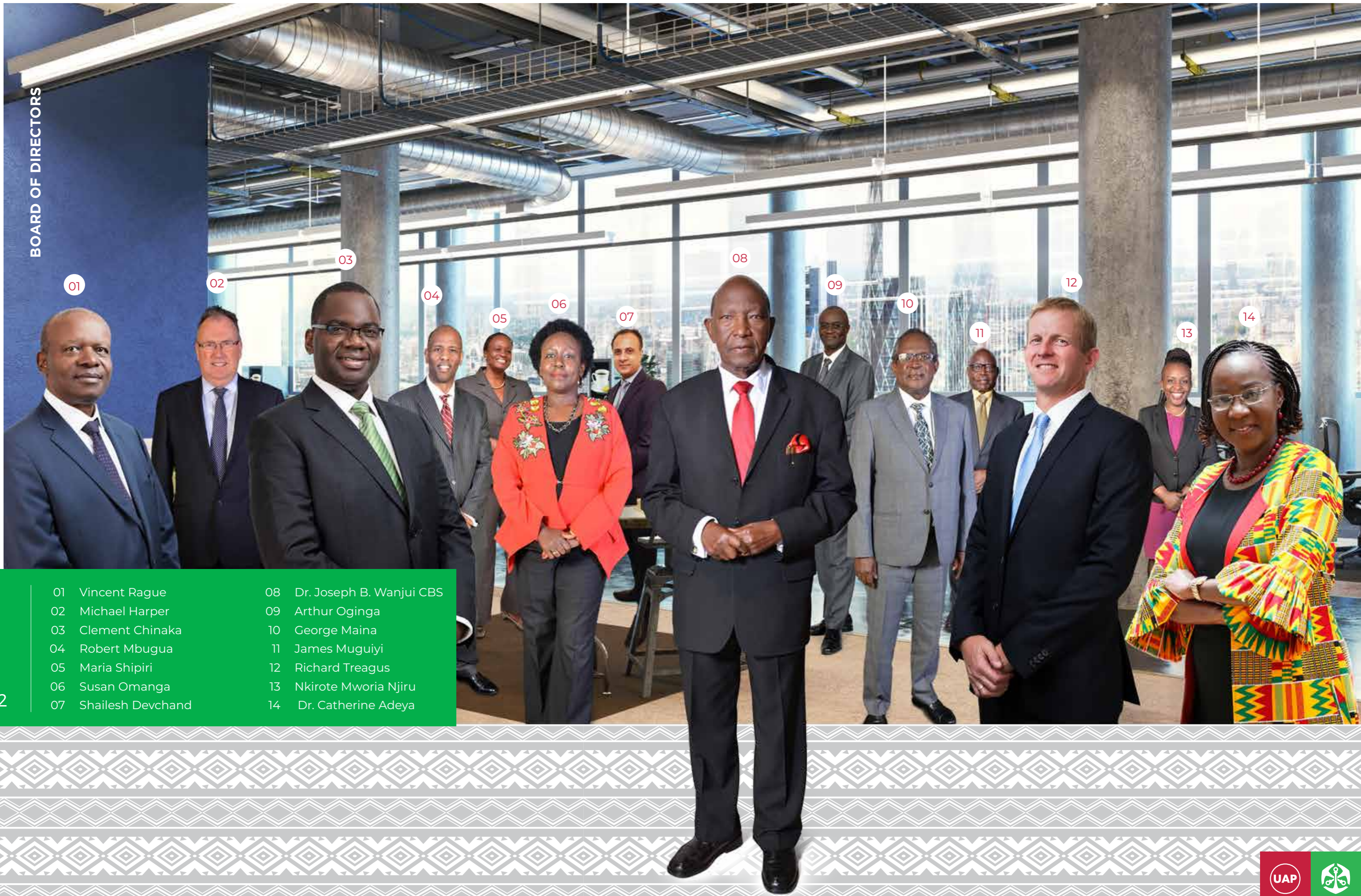
175
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YEARS
IN EAST
AFRICA



175 YEARS OF
HELPING YOU SET YOUR GOALS

BOARD OF DIRECTORS



- | | |
|----------------------|-----------------------------|
| 01 Vincent Rague | 08 Dr. Joseph B. Wanjui CBS |
| 02 Michael Harper | 09 Arthur Oginga |
| 03 Clement Chinaka | 10 George Maina |
| 04 Robert Mbugua | 11 James Muguiyi |
| 05 Maria Shipiri | 12 Richard Treagus |
| 06 Susan Omanga | 13 Nkirote Mworja Njiru |
| 07 Shailesh Devchand | 14 Dr. Catherine Adeya |

BOARD OF DIRECTORS PROFILES



Dr. Joseph Barrage Wanjui CBS
Chairman

BA Physics and Mathematics, Ohio Wesleyan University. Msc. Engineering, Columbia University

Date of Birth: 24 May 1937

Date of appointment to the Board:

8 November 2007

Experience:

Dr. Wanjui has been a director within the Group since 1986 where he later became Chairman of the UAP Insurance Company Limited Board in 1998.

His prior experience includes being the Chief Executive of East Africa Industries (which later became Unilever), chairman of CFC Stanbic Bank Limited and Chancellor of the University of Nairobi.

Currently, Dr. Wanjui sits as chairman and Board member of a number of other Kenyan and international organizations. In recognition of his exemplary contributions to positive change in society, he was awarded the Chief of the Order of the Burning Spear (CBS) of the Republic of Kenya.



Vincent Rague
Independent Non-Executive Director

MBA, Darden Business School University of Virginia BA (Hons) Economics, Statistics and Government, the University of Nairobi

Date of Birth: 5 April 1953

Date of appointment to the Board:

1 June 2018

Experience:

Vincent is a co-founder of Catalyst Principal Partners, a Nairobi based private equity fund Manager. He has over 25 years' experience in investments, banking corporate finance and policy advisory work having worked at the National Treasury, the International Finance Corporation (IFC) and the World Bank. He also serves as a non-executive director and chairman on several corporate boards including Chairman of FSD Africa and JamboJet.

He chairs the Remuneration, Nominations and Corporate Governance Committee.



Michael Harper
Deputy Chairman

MBA, University of Cape Town, Certified Financial Planner, University of Free State, Bsc. Actuarial Science major, University of Cape Town, Advanced Management Program, Harvard Business School

Date of Birth: 29 December 1955

Date of appointment to the Board:

29 June 2015

Experience:

Mike has previously served on the Boards of Old Mutual Unit Trust, Old Mutual Investment Group, Old Mutual International and Old Mutual Africa Holdings.

Over the years, Mike has served in several executive positions including Strategy Director for Old Mutual Emerging Markets, leading strategic work across Asia, Latin America, South Africa and Africa markets. He also served as Distribution Executive on the OM Group Long Term Savings executive in London.

Having worked in the Old Mutual Group since 1979, Mike was appointed chairman of Old Mutual Insure (formerly, Mutual & Federal) in May 2012 and retired from that role in July 2018. Mike is currently Chairman of MTN SA, South Africa's second largest mobile network operator, having been appointed to that Board in July 2016.

He chairs the Committee for Customer Affairs and Old Mutual Africa Holdings Boards.



James Muguiyi
Non-Executive Director
Fellow of the Institute of Certified Public Accountants of Kenya (FCPA (K))

Date of Birth: 19 September 1943

Date of appointment to the board:

8 November 2007

Experience:

James was the Deputy Managing Director at UAP Insurance between 1988 and 2001. During this time, he oversaw the merger of Provincial Insurance with Union Insurance to form UAP Provisional Insurance in 1994. He later rose to serve as Group Managing Director for UAP Group where he retired in 2012.

During this period, he oversaw the growth of the Group's business in Kenya, and the expansion into the neighbouring Uganda in 2004 and South Sudan in 2006.

James further, oversaw the demerger of the Life Assurance Business from General Insurance Business in Kenya.

In 2008, under Mr. Muguiyi's leadership, UAP Holdings was formed as the holding company for all the UAP subsidiaries and subsequently listed on the Over-The-Counter market at the Nairobi Securities Exchange. This allowed the company to attract private equity funds to invest in the company as well as open it up to a wider range of local and foreign investors. He has also been instrumental in conceptualizing the various property developments in the Group's portfolio with UAP Old Mutual Tower being one of the major installations completed under his stewardship.

He chairs the UAP Insurance Kenya, Tanzania and South Sudan Boards and sits on the Uganda Insurance and Properties Board and South Sudan Properties Board as Director.

His other directorships include Aimsoft Kenya Limited.

BOARD OF DIRECTORS PROFILES



George Maina
Non-Executive Director

B.Tech (Hons) Aeronautical Engineering and Design, Loughborough University of Technology, United Kingdom

Date of Birth: 26 May 1952

Date of appointment to the Board:
5 May 2017

Experience:

George has been in the corporate world in senior positions for over 30 years. He worked for a major global oil company at senior levels in Kenya, Caribbean and Central America, West Africa and East Africa including at Africa level. Through this experience, and in other organisations he has been involved in, he has gained expertise in leadership, strategy development and implementation, governance, organization development/ re-engineering and capacity building, change management, risk management, finance and investment management, mergers, acquisitions and exits, HR, sales and marketing, citizenship and stakeholder management, as well as investment banking.

He joined the Board as a non-executive director in May, 2017 through Faulu Microfinance Bank where he has served the microfinance business since 2010 and was instrumental in leading the restructuring and divestiture of the bank. He is currently the Chair of the Risk and Compliance Committee, Chair of the Technology Digital and Innovation Committee and a Member of the Audit Committee. George has held directorships in various blue chip companies. He is currently a director and trustee of various companies/organisations in the financial service sector, sales and marketing, manufacturing, education, health and conservation among others. His other directorships include Chairman- Faulu Microfinance Bank Board, Chairman – BAT PLC.



Robert Mbugua
Independent Non-Executive Director

MBA Bond University Graduate School of Business

Date of Birth: 7 July 1967

Date of appointment to the Board:
1 July 2017

Experience:

Robert started his career at PricewaterhouseCoopers (PwC) in Kenya in 1989 and rose through the ranks. In June 2001, he was admitted to the position of Partner in the Johannesburg office of PwC where he served until the year 2003.

Robert joined Standard Bank's Africa business in 2003 and during his eight year tenure with the bank, served in various Executive director positions including Regional Managing Director responsible for a number of African countries.

Robert is the founding Chief Executive Officer of Co-op Bank Fleet Africa Leasing Limited and chairs the Board of BOC Gases Plc.

He is a qualified accountant and a member of the Institute of Certified Public Accountants Kenya (ICPAK). He chairs the Board Audit Committee.



Susan Omanga
Independent Non-Executive Director

Bachelor of science in Business Management with minor in Advertising, Rocky Mountain College, Montana, Associate of Business Management, North West Community College, USA

Date of Birth: 13 January 1960

Date of appointment to the Board:
19 August 2015

Experience:

Susan is the CEO and founder of Exclamation Marketing Ltd. She previously served in senior marketing positions at Colgate Palmolive, Boots Kenya, ABSA PLC (formerly 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 the Chairman of KCB Foundation, Director S & L Mortgages for 2 years, and Director KCB Uganda for 4 years.

Susan sits on the Boards of UBA and Kenya Tea Packers Limited (KETEPA). She is also an advisory board Member at Acumen East Africa, and a member of the Board of Trustees at The President's Award. She has membership at the Marketing Society of Kenya, the Public Relations Society of Kenya (PRSK) and the International Advertising Association (IAA). Susan is the Honorary Consul for Jamaica in the Republic of Kenya.

She chairs the Project Saffron Ad Hoc Independent Committee and the UAP Old Mutual Foundation.



Dr Catherine Adeya
Independent non-Executive Director

Doctor of Philosophy in Information and Development and a Master of Philosophy in Electronic Publishing and Information Development from Edinburgh Napier University, Scotland, United Kingdom

Date of Birth: 16 November 1968

Date of appointment to the Board:
10 December 2020

Experience:

Catherine is a results-driven and seasoned Information Scientist with over 20 years' experience in multidisciplinary global environments, both in the public and private sector.

She is an expert in bilateral and multilateral agency operations with consolidated expertise and excellent skills in research, project planning and execution, finance management and policy development. She is a strategic thinker with vast global exposure in the UK, the Netherlands, USA and sub-Saharan Africa.

She has held senior roles in global organizations currently as the Director of Research at the World Wide Web Foundation, USA (based in Kenya). She has worked at the United Nations University/Institute of New Technologies in the Netherlands; as a Director at the Ministry of Information Communications and Technology in Kenya; and was the founder CEO of Konza Technology City. Her experience in Information Sciences also includes senior consultant at @iLabAfrica, and a chairperson of the Kenya Government Taskforce on the Migration from Analogue to Digital Broadcasting.

Her other directorships include: Standard Chartered Bank Kenya Limited, Adrian Kenya Limited, East Africa Educational Publishers.

BOARD OF DIRECTORS PROFILES



Maria Shipiri
Independent non-Executive Director

Masters, Coaching and Consulting for Change, HEC Paris/Oxford university, Bachelor of Education, Kenyatta University, member of the institute of Human Resource Management, Kenya.

Date of Birth: 29 March 1972

Date of appointment:

19 May 2020

Experience:

Maria is a global Human Resources professional with over 20 years of experience across telecommunications, banking, pharmaceuticals, FMCGs and the development sectors.

She has held senior roles in global organizations, currently as Consultant Organization Design & Change at the Mastercard Foundation, and most recently Chief People & Culture Officer at Living Goods and Head of Organizational Effectiveness for the African Development Bank in Cote d'Ivoire. Her experience in telecommunications includes Director, HR for Vodafone's entity in Kenya (Safaricom) and Head of HR for Vodafone Group's Enterprise function in the UK.

Her other directorships include: Octagon Africa Financial Services Limited and Living Goods Limited.



Mr. Clement Chinaka
Non-Executive Director

Bachelor of Science (Computer Science and Statistics) degree from the University of Zimbabwe

Date of Birth: 8 March 1970

Date of appointment to the Board:

3 March 2020

Experience:

Clement currently serves as the Old Mutual Managing Director – Rest of Africa operations having joined the Old Mutual Group in 1992.

He has worked for the Group for the last 28 years in various roles including Head of Corporate Segment at Old Mutual South Africa, Chief Actuary and General Manager of Actuarial at Old Mutual Life Assurance Company of Zimbabwe, Head of Channel Finance and Strategy Executive for OMLACSA's Retail Affluent segment, head of Emerging Markets Group Planning and Business Insights at Group Finance and General Manager of Finance and Strategy of Old Mutual Corporate.

Clement sits on the Old Mutual Namibia, Zimbabwe and Old Mutual Africa Holdings Boards.



Richard Treagus
Non-Executive Director

Bachelor of Science (Actuarial) from the University of Cape Town and is a Fellow of the Institute of Actuaries

Date of Birth: 18 November 1965

Date of appointment to the Board:

13 November 2019

Experience:

Richard joined the Old Mutual Group in 1989 and has served the Old Mutual business in many different roles. He worked in Product Development as a junior actuary followed by a short secondment to a Reinsurance company in the United Kingdom. Since then, he has held positions in Old Mutual as: Finance Actuary for the Individual Life Division, Group Assurance Executive, General Manager of Product Development and General Manager of Savings Solutions.

He is the Chief Risk Officer of Old Mutual Limited and Old Mutual Life Assurance Company (South Africa).



Shailesh Devchand
Non-Executive Director

Bachelor of Science Degree majoring in Actuarial Science and Mathematical Statistics from the University of Witwatersrand and qualified as a Fellow of the Institute of Actuaries in 1998

Date of Birth: 15 February 1972

Date of appointment to the Board:

13 November 2019

Experience:

Shailesh has over 25 years' working experience in the insurance and financial services sector where he gained a wealth of experience in the general and life insurance segments, covering distribution channel development, product development, mergers and acquisitions and strategy implementation amongst many others.

He has served in various leadership capacities including Director of Asian Markets and Director of Strategic Partnerships at Old Mutual as well as having served as Non-Executive Director on several joint venture subsidiaries. He currently serves as the Customer Solutions General Manager: Income and Guaranteed Solutions at Old Mutual.

BOARD OF DIRECTORS PROFILES



Arthur Oginga
Group Chief Executive Officer

Bachelor of Arts Degree (Economics and Sociology) from the University of Nairobi and is a member of the Institute of Certified Public Accountants Kenya (ICPAK) and Institute of Certified Public Accountants Uganda (ICPAU)

Date of Birth: 20 February 1970

Date of appointment to the board:

24 June 2020

Experience:

Arthur has over 25 years' experience in executive and leadership positions including serving as the Group Chief Operations Officer and Group Chief Financial Officer, for the Old Mutual Rest of Africa business and the Acting Group Chief Financial Officer for the UAP Old Mutual Group. He has also served in various senior leadership positions within the financial services sector across Africa.

His other directorships include various UAP Old Mutual Group subsidiaries and FDH Bank.



FCS Nkirote Mworja Njiru
Company Secretary

LLB University of Reading, LLM Commercial Law, University of Cape Town, Global Executive, Masters, Business Administration, USIU & Columbia Business School, Higher National Diploma in Law (Kenya) and Higher National Diploma in Human Resource Management (Kenya).

Date of Birth: 18 November 1973

Date of appointment to the Board:

17 November 2014

Experience:

Nkirote is a legal and governance practitioner with a passion for sound governance, standard-setting and policymaking. She is an Advocate of the High Court of Kenya, an active member of the Law Society of Kenya and a fellow of the Institute of Certified Secretaries of Kenya where she served as an elected member of the Council and as the Vice Chairman of the Institute.

Besides practising law, Nkirote has worked in various sectors in Kenya including telecommunications, retirement benefits and insurance in a wide range of activities involving setting up governance, legal and operational structures; legal and regulatory risk analysis, legislative and policy development; supervision and capacity building across the East Africa region.

Her other directorships include: Dorion Associates LLP and Kenya Accountants and Secretaries National Examination Board (KASNEB).



UAP OLD MUTUAL SUBSIDIARIES' DIRECTORS

 **KENYA**



Michael Sallu
Chairman, UAP Insurance
Kenya
UAP Insurance Rwanda and
Tanzania



Betty Ann Mboche
UAP Insurance



Hannah - Gitonga Mwangi
UAP Life Assurance



Joseph Lesiew
UAP Life Assurance



Lotfi Baccouche
UAP Insurance



Dr. Jaine Mwai
UAP Insurance



Kamau Kuria
UAP Life Assurance and
UAP Old Mutual Life Assurance
Uganda



Susan Kasinga
UAP Insurance



David Kuria
UAP Insurance

 **UGANDA**



Prof. G.Wavamunno
Chairman
UAP Old Mutual
Insurance and UAP
Properties



Andrew Kasirye
UAP Old Mutual Insurance
and UAP Properties



Gary Voss
UAP Life Assurance
Chairman



Prof. Patrick Weke
UAP Life Assurance



Dr. George Mutema
UAP Old Mutual Insurance
and UAP Properties
Uganda



Suzanne Batwala
UAP Old Mutual Insurance

UAP OLD MUTUAL SUBSIDIARIES' DIRECTORS (Continued)



Hon. Tim Lwanga
UAP Old Mutual Insurance



Joseph Kitimarike
UAP Old Mutual Insurance

 **SOUTH SUDAN**



James Muguiyi
South Sudan,
Director, UAP Old Mutual
Insurance Uganda and UAP
Properties Uganda



Prof. Scopas Dima
UAP Properties Chairman
and UAP Insurance Director



Stephen Chikovore
UAP Old Mutual Insurance



Dr. William Kalema
UAP Old Mutual Life Assurance
Chairman and Director
UAP Properties



Philip Coulson
UAP Insurance



Peter Kimurwa
UAP Insurance



Prof. Sam Sejjaaka
UAP Financial Services
Chairman and Director
UAP Old Mutual Life Assurance



Sophie Nkuutu
UAP Old Mutual Life Assurance



Jeff Aludo
UAP Insurance South Sudan
and UAP Insurance Rwanda



Balla Nyerere
UAP Properties



Mathias Katamba
UAP Old Mutual Insurance



Jerim Otieno
UAP Old Mutual Life Assurance

UAP OLD MUTUAL SUBSIDIARIES' DIRECTORS (Continued)



John Lako
UAP Properties



Wainaina Kenyanjui
UAP Insurance,
South Sudan

 **TANZANIA**



Moses Obonyo
UAP Insurance Chairman



Moses Kaluwa
UAP Insurance

 **RWANDA**



Richard Mugisha
UAP Insurance Chairman



Evangelina Soni Kayinamura
UAP Insurance



Joseph Werema
UAP Insurance



William Asiko
UAP Insurance



John Bosco Birungi
UAP Insurance



Herbert Kwizera
UAP Insurance



Zawadia Nanyaro
UAP Insurance



Dr. Isaac Nzyoka
UAP Insurance

 **MAURITIUS**



Assad Abdullatiff
UAP Mauritius
Chairman



Jean - Claude Permal
UAP Mauritius

UAP OLD MUTUAL EAST AFRICA LEADERSHIP TEAM

Executive Management at the UAP Holdings PLC Board



Arthur Oginga
Group Chief Executive Officer



Nkirote Mworira Njiru
Group Company Secretary
& Legal Counsel



Abdallah H. Khamis
Group Chief Operations Officer



Apollo Njoroge
Managing Director
Faulu Microfinance Bank



Japheth Omare
Managing Director
UAP Insurance
South Sudan



Stephen Chikovore
Managing Director
UAP Old Mutual Insurance
Uganda



Arnold Dippenaar
Group Chief Financial Officer



Annie Nibishaka
Managing Director
UAP Insurance
Rwanda



Nelson Rwihula
Acting Managing Director
UAP Insurance Tanzania



Simon Mwebaze
Managing Director
UAP Financial Services
Uganda

East Africa Leadership Team Members



David Kuria
Managing Director
UAP Insurance Kenya



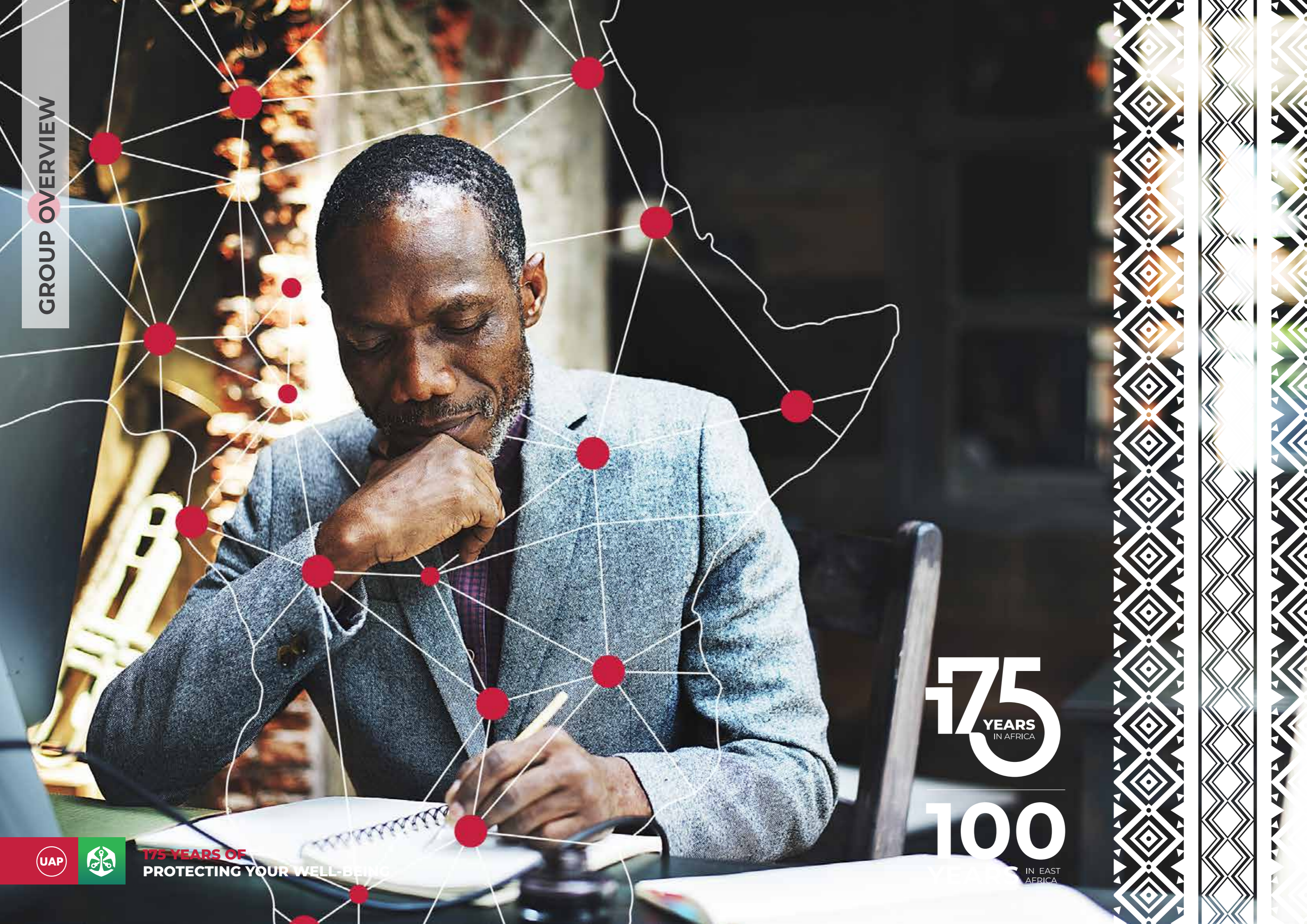
Jerim Otieno
Group Managing Director
Life Assurance



Eric Karimi
Acting Group Managing
Director Asset Management



Harrison Gongo
Managing Director
UAP Old Mutual Life Assurance
Uganda



75
YEARS
IN AFRICA

100
YEARS
IN EAST
AFRICA



**175 YEARS OF
PROTECTING YOUR WELL-BEING**



“We contributed over **Ksh 20.6m** in cash and kind to COVID-19 initiatives across the markets we operate in East Africa.”

DR. JOSEPH B. WANJUI CBS

Dear Shareholder,

I hereby present our annual report and financial statements for the year ended 31 December 2020.

2020 was a difficult year due to the negative impacts of the COVID-19 pandemic to both the economy and ways of life in the countries we operate in. As a responsible business we made contributions towards government efforts to curb the spread of the disease by providing our customers, employees, and other stakeholders with material support including donations of cash, Personal Protective Equipment (“PPE”) and flexible work from home arrangements to maintain business continuity.

In terms of contributions, we provided over Ksh 20.6m in cash and kind to COVID-19 initiatives across the East African markets we operate in. Contributions were focused on areas of most need such as health facilities, schools, and vulnerable members of society. We also participated in joint industry efforts coordinated by regulators and industry bodies in the region.

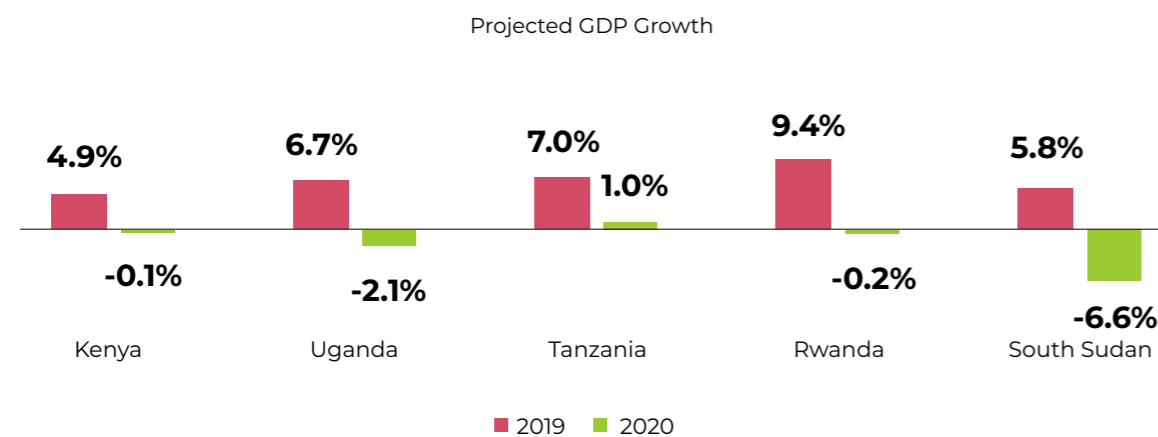
The year 2020 marked 175 years of operations of Old Mutual in Africa and 100 years for UAP in East Africa and despite the pandemic these were significant milestones for our business in the region and speak to our long-standing commitment to the customers and communities we serve in these markets.

In the context of the challenging environment, our financial performance, while improved relative to 2019, was subdued largely due to the impacts of the COVID-19 pandemic on the economies, capital and currency markets in the markets we operate.

Operating Environment

Economic growth in the East African countries where we operate is expected to be lower in 2020 compared to 2019 with most of the economies in which we operate expected to contract. This is largely driven by the negative impacts of the COVID-19 pandemic which have been severely felt in the travel and hospitality industry coupled with government restriction measures to contain the disease spread in terms of partial or full lockdowns and curfews. The outlook for 2021 is optimistic as the spread across most of the countries we are in has reduced and a return to normalcy is now starting to take hold. This should augur well for the recovery of the respective economies, but we do see some headwinds in particular in Kenya driven by the third wave of the pandemic and increased political activity with a possible referendum. In South Sudan, the peace agreement implementation has taken longer than anticipated which is critical for recovery of that market.

The table below illustrates the latest economic forecasts from the International Monetary Fund ("IMF"):



Generally, the expectation is for markedly reduced GDP growth for the East African economies because of the deterioration in agriculture, tourism and trade which are the largest economic sectors for the region. The pace of global economic recovery particularly for the major trade partners for the East African states will determine the strength of the recovery in 2021.

With regards to Kenya, our largest market, the latest GDP statistics indicate a contraction in Q2 2020 GDP of -5.7% compared to an expansion of 5.3% in Q2 2019 and a contraction of -1.1% in Q3 2020 compared to an expansion of 5.8% in Q3 2019. This is attributable to poor performance in mining and quarrying, electricity and water supply, wholesale and retail trade, transport and storage and particularly accommodation and food services. Inflation trended downwards during the year due to a combination of adequate rainfall (lower food prices), decreases in global oil prices and the reduction in the VAT rate from 16% to 14% (the government effectively reversed the reductions in VAT and income tax rates in January 2021). The interest rate regime was steady with a downward movement in the yield curve. The Kenya Shilling depreciated against the US Dollar ~7.4% but appreciated against regional currencies. Kenya's capital markets closed the year in bear territory with the NSE 20, NASI and NSE 25 posting returns of -29.6%, -8.6% and -16.7% respectively. The major concern is on Kenya's fiscal position given decreased tax revenues – in part due to income tax reductions as stimulus efforts to protect consumers and businesses – versus the growing indebtedness. The IMF and rating agencies view Kenya's debt distress as "high" and we are encouraged by the government's efforts to

engage with the multilateral and private lenders to reach agreements particularly on debt relief.

Similar to Kenya, the IMF forecasts a contraction in Uganda's GDP growth for FY2020 citing the effects of COVID-19 precautionary guidelines which have adversely impacted agriculture and tourism which are the country's economic mainstay. Remittances from Uganda's diaspora have also reduced. The inflation rate has increased due to production cost increases and the Bank of Uganda has maintained the bank rate at 7% as part of an accommodative monetary policy. However, the Uganda Shilling has remained stable against the US Dollar compared to the other regional currencies which depreciated. Uganda also has significant borrowings however the likelihood of distress is rated as "low". Furthermore, the country is eligible for Debt Service Suspension Initiative ("DSSI") which can provide a boost by transferring funds from debt payment to expenditure or development.

In South Sudan, the impact on the economy has been through the plunge in oil prices which reduced the country's revenues. Oil is the dominant economic activity in South Sudan. Additionally, diaspora remittances constitute an important source of inflows for the country and the economic weakening in source countries bodes poorly for South Sudan which has one of the highest remittance/GDP ratios in Sub-Saharan Africa.

Rwanda's economy has been disrupted via impacts on agriculture and tourism. Inflation is range bound within the Bank of Rwanda's targets however the Rwandan Franc has materially

depreciated against the US Dollar. Rwanda has internal and external borrowings but is viewed as having "moderate" risk of distress. The country is ineligible for DSSI relief.

Tanzania's economy has experienced a stable inflation rate environment albeit tourism has been depressed following restrictions on movements regionally and internationally. The government has embarked on several infrastructure investments such as a standard gauge railway from Dar es Salaam to Morogoro and an associated highway. These projects will potentially unlock economic activity especially from increased linkages to Rwanda, Burundi and the Democratic Republic of Congo ("DRC").

Strategy Delivery

Our vision as a business is To be our customers' most trusted partner, passionate about helping them achieve their lifetime financial goals and this is reinforced by our redefined purpose, Transforming Lives & enabling financial goals by keeping our promises. This supports our ambition to be the leading financial services business in East Africa which is anchored on the strategic pillars of Building Solid Foundations, Customer Centricity and Rewarding Digital Engagement. We continue to make good progress on executing on our strategy and the GCEO will provide more detailed commentary on this.

Notable achievements from a strategy delivery perspective for FY 2020 include:

- Despite a challenging operating environment our property business returned a profit in 2020 driven by improved rental income following increased occupancy.
- Our Kenya Short-term Insurance business was ranked the number 1 business by market share as per regulator reports. The growth in topline was profitable which is in line with the Building solid foundations pillar of our strategy.
- We have progressed the combining of our life businesses in the Kenya market which will see UAP Life Kenya take over the Old Mutual Life Assurance business. The process has received shareholder approvals and is now awaiting regulatory approvals for conclusion.
- We launched a Covid rider in our Kenya medical business which was well received by our customers given the prevailing conditions.
- Our digital delivery accelerated in 2020 to provide our customers with access to our services remotely given the social distancing and face to face restrictions put in place to curb the pandemic.

Business performance

We reported a loss before tax of KShs. 1.0bn in FY2020 compared to a loss before tax of KShs. 3.2bn in FY2019. The GCEO will provide a detailed commentary on the business performance. Our results for 2020 while below our expectations are nevertheless a substantial improvement year over year. Management and Board efforts to address underlying reasons for poor financial performance are yielding fruit. The task going forward is to accelerate the execution of our strategy and I am confident that we can achieve this.

Dividends

The Board of Directors do not recommend the payment of a dividend with respect to the financial year 2020 (2019: Nil).

Changes to the board of directors

I would like to extend my heartfelt appreciation to my co-director and deputy chairman, Mr. Michael Harper who has effectively served as the chairman of the board as I took a sabbatical in 2019 and 2020. Mike has deftly steered the board over a challenging period in a rapidly changing world where the role of the board continues to come into sharp focus in shaping the way organizations drive and execute their strategic objectives.

I am also pleased to welcome Mrs. Maria Shipiri and Dr Catherine Adeya to the board following their appointment as independent non-executive directors during the year. Both Maria and Catherine are seasoned professionals in their own fields and the board looks forward to their immeasurable contribution. Fuller details of the board composition and the activities of the board of directors is contained in the Corporate Governance Statement contained in page 56 of this booklet.

Outlook

I wish to thank our shareholders for their support and my fellow directors for their support and contributions. I thank management and staff and urge them to work hard to drive good performance in 2021 and beyond. I thank our intermediaries, regional regulators, revenue authorities and governments for providing us with a stable operating environment.

Lastly, I thank you the customer for your continued support and reiterate our commitment to providing you with solutions that help you plan your future, grow your investments and savings and protect you and your assets.



GROUP CEO'S STATEMENT

“The property portfolio was adversely impacted by softening conditions due to reduced demand for office space in Kenya”

Arthur Oginga

Dear Shareholder,

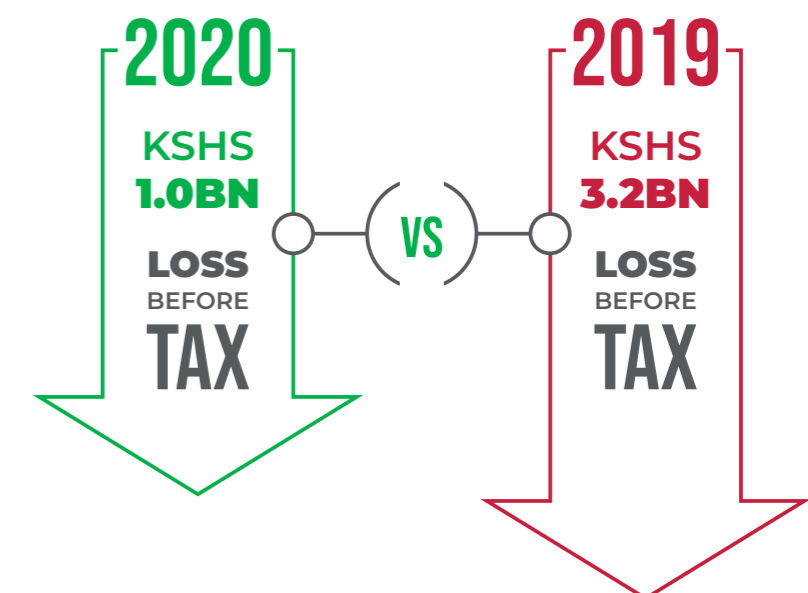
I take this opportunity to present a review of our business performance for the year ended 31st December 2020. The 2020 results, while improved relative to 2019 were dampened by the negative impacts of the COVID-19 pandemic on the economies of the countries we operate in.

At a line of business level, the Group realized a mixed set of results for the year with significantly improved performance in the property line of business and the asset management business compared to a decline in our core short-term insurance and life assurance business.

COVID-19 Pandemic

On 11th March 2020, COVID-19 (Coronavirus) was declared as a pandemic due to the rising rate and scale of infection observed. The impact of COVID-19 on business was immediately felt more so in the banking industry. Disruptions in supply chains for agriculture and manufacturing and the decline in tourism arrivals was of most significance to the East African economies. The governments in East Africa implemented various efforts to arrest the spread of COVID-19 and cushion citizens and businesses alike. We are cognizant of further risks from COVID-19 through subsequent waves due to community transmission however we are encouraged by the proactive government responses which have led to reduced rates of infection.

Our Chairman has detailed the various measures we implemented to protect our employees and customers in the face of COVID-19. We are glad to report that the work-from-home framework was effective and will remain part of company policy even after the pandemic is contained. We continue to refine our COVID-19 safety protocols for staff and customers and remain vigilant despite the changing trajectory of the pandemic.



GROUP CEO'S STATEMENT (Continued)

Overview of financial performance

The Group recorded a loss before tax of KShs 1.0bn in 2020 compared to a loss before tax of KShs 3.2bn in the previous year. The improved performance was largely driven by the non-recurrence of the significant fair value losses in property experienced in 2019. The reported loss in 2020 was largely driven by subdued investment income owing to the impacts of the COVID-19 pandemic on equity markets, increased operating expenses and reduced revenues in our life business.

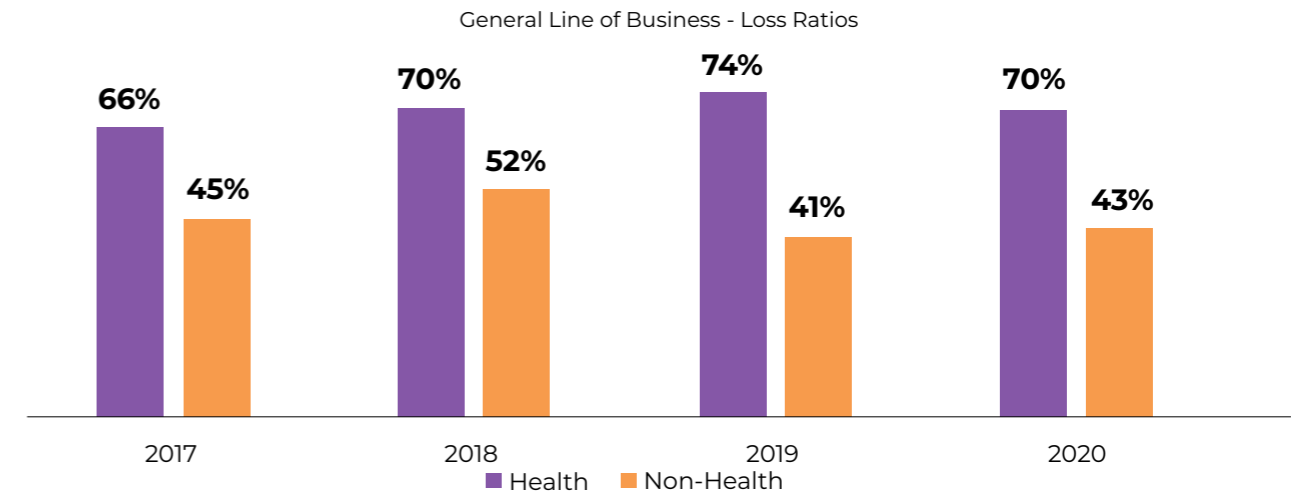
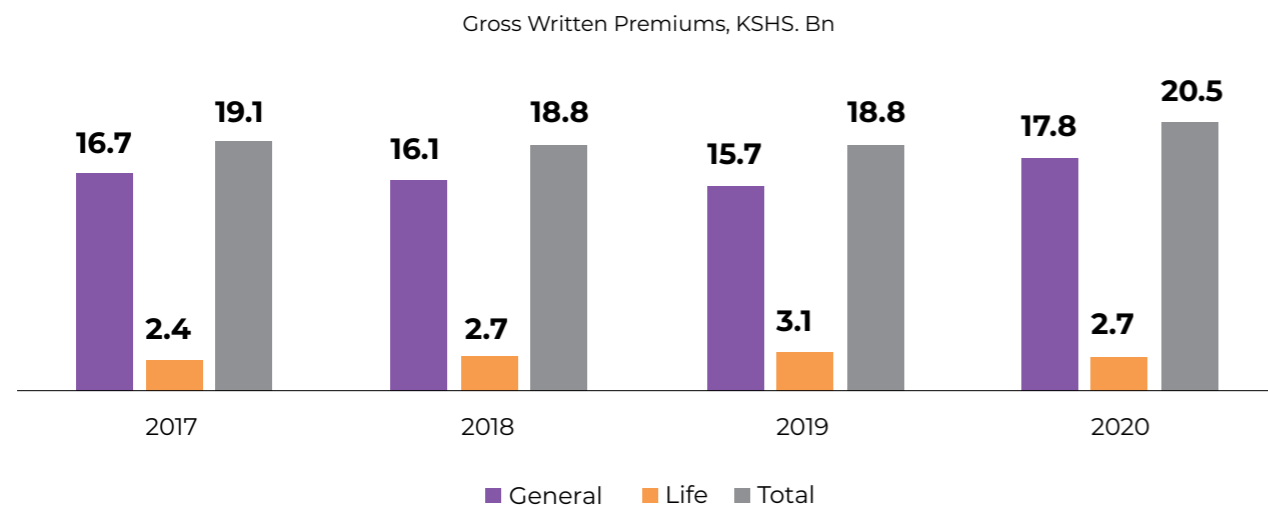
At a line of business level, the General Insurance business reported a profit before tax of KShs 1.2bn compared to KShs 2.3Bn in 2019 largely due reduced investment income on account of the subdued equity markets. The Life Insurance business also registered a decline with a loss before tax of KShs. 545mn compared to a profit before tax of KShs. 391mn in 2019. The life business loss was driven by reduced investment income and reduced revenues in the Kenya business. Revenue generation was impacted by the prohibition of movement and interactions which disrupted the sales process.

The property business reversed its performance with a marginal profit before tax of KShs. 98mn compared to a loss before tax of KShs. 4.9bn in 2019. The improvements were driven by rental

income growth on account of increased occupancy and positive fair value movements. The value of investment properties increased from KShs. 16.01b in 2019 to KShs. 16.46b in 2020. The movements were driven by combined fair value losses of KShs. 0.1b offset by foreign exchange related gains on dollar denominated assets in our Uganda and South Sudan markets which benefited from the depreciation of the Kenya shilling from KShs. 101 to KShs. 109 over the year.

Gross written premiums were up 9% driven by our core short-term insurance businesses, which grew by 13%, reversing the trend of flat growth in recent years. The life business gross written premiums were down 13% owing to the impacts of the pandemic on disposable incomes and our agents' ability to have face to face contact with customers. Net earned premiums were up 2% over 2019 in line with Gross earned premiums which were up 4%.

Net claims payable were down 1% compared to 2019 in line with our profitable growth agenda. The result was partly due to management actions in respect of pricing, underwriting and claims but also due to the positive impact on claims costs on account of the partial and full lockdowns implemented across the East African region.



The Health business loss ratios were down in 2020 compared to 2019 driven by a combination of management actions to control claim costs and the positive impacts of the COVID-19 restrictions on member behavior. We implemented various claims management exercises in the year such as repricing of accounts, reduction in drug costs, provider panel rationalization, strategic discounts with providers and internal process optimization for our health business. The Non-Health business loss ratio increase was largely driven by the write-off of reinsurance receivables. Excluding this impact, the loss ratio would have been within the 2019 range.

Operating expenses were up 24% over 2019. This was mainly driven by increased distribution and marketing costs in line with topline growth, higher software related costs following our investment in a new financial reporting system, and a balance sheet clean up and more conservative view adopted on receivables considering the prevailing operating environment.

Interest costs on borrowings were down 7% over

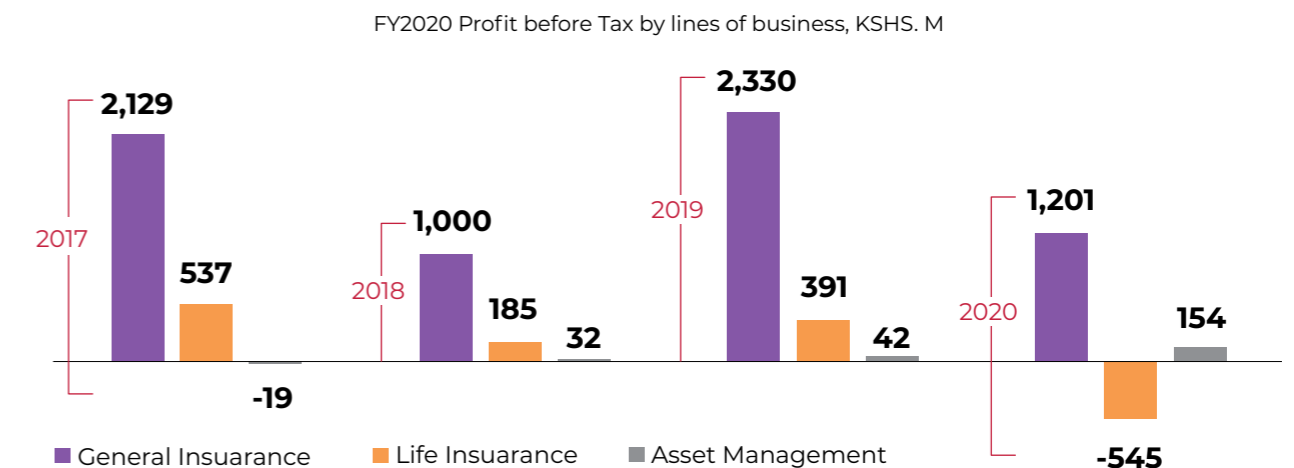
2019 driven by the drop in the LIBOR rate from 2% in the prior year to 0.2% in 2020 on dollar denominated debt and a drop in the CBR rate on local currency denominated debt. In the second half of 2020 the Group refinanced the dollar denominated debt in local currency thus benefitting from both movements.

Performance by business line

a) Core business lines

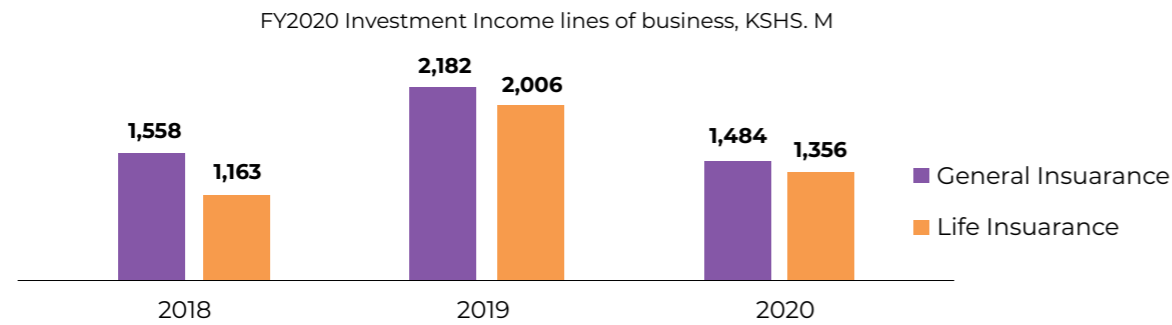
In FY2020, our core businesses registered a decline in performance apart from our asset management business in Uganda. The revenue performance was mixed with the general business growing while the life assurance business experienced a decline. The performance decline was largely driven by the subdued investment income on account of the COVID-19 impact on equity markets.

The chart below highlights the performance of the core businesses – General Insurance, Life assurance and Asset Management.



GROUP CEO'S STATEMENT (Continued)

The deterioration in profitability from 2019 for the insurance businesses was primarily driven by investment income which was down 32% for both the General Insurance and Life Insurance businesses. The NSE All Share Index was down 8.6% compared to 18.5% up in 2019 which impacted on our equity holdings valuations.



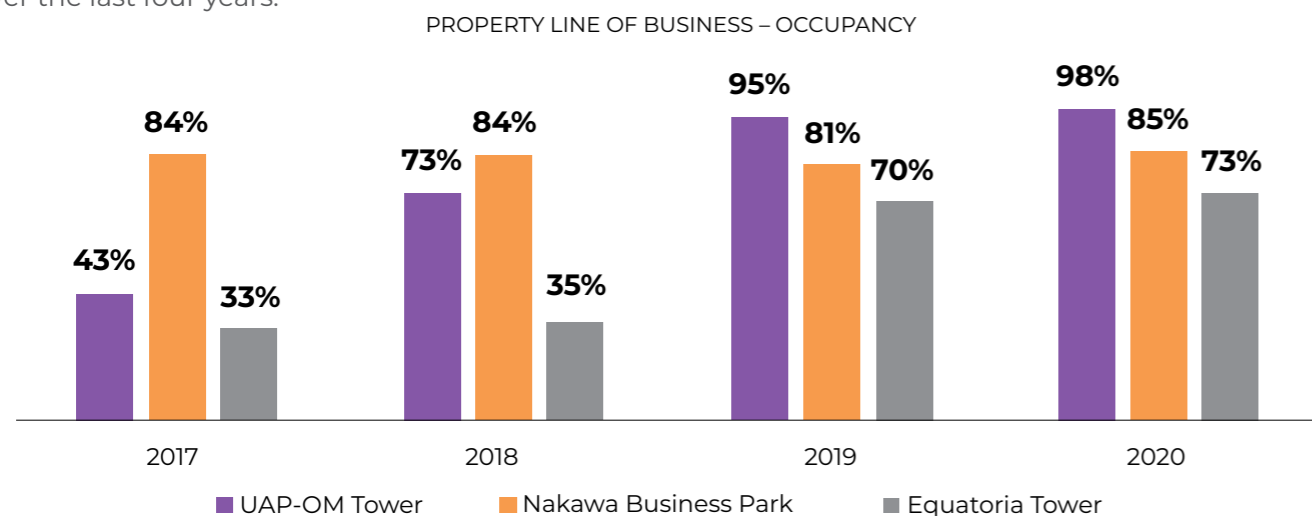
Gross Written Premiums grew 13% and declined 13% respectively for the General Insurance and Life Insurance businesses while while Net Written Premiums were up 6% and down 16% for the two business lines. The growth in the General Insurance business was driven by enhanced market engagement and product innovation. The declined revenues for the life business were largely driven by the impact of movement restrictions in our Kenya and Uganda markets imposed to reduce the spread of the COVID-19 pandemic which disrupted the sales process for our retail channels. Fee income in our asset management business was up 117% driven by strong net client cash flows in our Uganda business.

Net Claims were up 4% for the General Insurance business compared to the 13% growth in Gross Written Premiums in line with our profitable growth agenda. The lower claims growth was on account of management actions targeted at pricing, underwriting and claims and the positive impact of the partial and full lockdowns across the region which affected policyholder behaviour. Net Claims for the Life Insurance business were down 15% largely due to the movements in the investments markets which have a bearing on the claims payouts for a significant proportion of our policy book.

Operating expenses were up 21% and 40% respectively for the General Insurance and Life Insurance businesses. The drivers of this increase are as outlined above in the financial performance overview.

b) Properties

Our shareholder investment property portfolio comprises commercial and residential properties in Kenya, Uganda, and South Sudan. The more prominent properties are the UAP Old Mutual Tower in Nairobi, Nakawa Business Park in Kampala, and Equatoria Tower in Juba. The occupancy levels for all these buildings have been steadily rising since their completion. The chart below shows the occupancy levels over the last four years.



People and Culture Update

In 2020 we closed on two critical hires in our leadership team filling the vacancies of Group Chief Operating Officer in July 2020 and Group Chief Financial Officer in September 2020. These hires at a leadership level are critical to the delivery of our strategy in East Africa.

As part of our unifying agenda for the business we redefined the business purpose as captured in the statement Transforming Lives & Enabling Financial Goals by keeping our promises. This is a key step in transforming the culture of our business and rallying our people around our being our customers' most trusted partner.

Corporate Structure Update

In order to simplify the Group's operating structure, we have been working to combine the two life businesses that the Group operates in Kenya and I am glad to report substantial progress with regards to this. We are pursuing a scheme of arrangement whereby UAPH will purchase shares in Old Mutual Life Assurance Ltd (OMLAC) using UAP Life Kenya Ltd. This process will require shareholder and regulatory approval and to this end, we have secured shareholder approval which has been recognized by the High Court of Kenya and will pave the way for the completion of the process. We anticipate the takeover will be concluded in the first half of 2021. We will keep the shareholders duly apprised as we progress this using the various means of public communication particularly our group website which has all the relevant shareholder updates. The newly combined entity will allow us to extract synergies from having a single life business and will be pivotal in our delivery of the integrated financial services strategy especially in our core Kenya market.

Digital Update

The operating environment in 2020 accelerated the roll out of our digital strategy which was critical in ensuring that customers continue to access our services remotely given the social distancing and face to face restrictions put in place to curb the pandemic spread. As part of this process, we have made additional investments in our technology infrastructure which will enable us to scale our digital offerings much faster going forward. We however achieved the following notable milestones in 2020:

We have redesigned our public websites in South Sudan, Tanzania, Rwanda, and Uganda. While Kenya will be delivered in the first half of 2021. This will enable us to offer our services more seamlessly online.

We rolled out a USSD solution for all our businesses in Kenya to manage sales and servicing;

We rolled out an investment chatbot on Facebook, "Arifa", which simplifies the process of starting our investment journey with us;

We rolled out an end-to-end digital funeral offering through our partnerships with some of the leading banks in Kenya.

We will continue building on this foundation as digital is a core pillar in our integrated financial services strategy.

Outlook

We are committed to investing in our businesses and employees in order to better serve our customers. We also reiterate our support for the governments and regulators in East Africa. Key risks remain adverse climate changes which would augur poorly for agriculture, the region's economic mainstay. Furthermore, as the Chairman noted, the political environments in Kenya and South Sudan present some risk and may dampen investor and consumer activity.

Our strategy is focused on delivering an integrated financial services offering for our customers in East Africa by leveraging the solutions provided within our individual lines of businesses to deliver on a one-stop solution which will drive improved productivity in the individual businesses and as a result the whole.

Appreciation

I wish to thank Management and staff for their resilience during 2020. I also thank the board of directors for their support and continuous contribution. I wish to thank our intermediaries, partners, regional regulators and government agencies. On behalf of Management and staff I sincerely thank our customers for believing and trusting us to help them realize their financial goals. Finally, I thank our shareholders for their continued support.



CORPORATE GOVERNANCE REPORT

The Board and Management of UAP Holdings PLC ("UAPH" or the "Company") are committed to maintaining the highest standard of corporate governance practices and have devoted considerable effort to identify and formalize the very best practices in corporate governance. The Board firmly believes that well-articulated governance policies and processes are an indispensable component of the smooth, effective and transparent operation of the Company and its ability to attract investment, protect the rights of stakeholders and enhance shareholder value in the long term.

Key Highlights

The key governance highlights for the year included:

- Appointment of an additional two (2) female directors in the course of the year to improve gender and skills diversity within the board.
- A review of the Articles of Association of the Company to enhance the governance requirements on emerging trends related to conducting of meetings virtually. These amendments provided clarity on the attendance of members during the general meetings held through on electronic platform for purposes of determining quorum.
- The annual strategy meeting where the Board reviewed and discussed the Group's strategy with key Executive Management.
- Participation in Board Development programmes touching on the Group Governance Framework (GGF), Delegation of Authority and Anti—Money Laundering compliance.
- Annual review of the Board's and Committees' composition and assessment of the independence of directors.
- A review of the Board's skills to ensure the Board comprises of all the requisite skills.
- A review of the Board's succession plan to ensure it is up to date.
- Continued to enhance our level of transparency by ensuring that our stakeholders are provided with regular and accurate information relating to the company through semi-annual stakeholder briefings, public announcements placed in the press as well as on the Company's website.

1. Board Functions and Responsibilities

The Board is currently comprised of thirteen (13) directors, with 6 of the 13 directors being independent non-executive directors and one (1) executive director. The Board is responsible for the formulation, implementation and monitoring of the UAP Old Mutual Group's ("Group") Strategic Plan with the ultimate aim of achieving sustainable, profitable growth for the Group.

The Board considers that collectively, the directors have the breadth and depth of skills, knowledge and experience necessary to direct the Company. The directors on the Board represent a diverse group of nationalities, skills and backgrounds to ensure that decisions of the Board encompass views from a wide reach of stakeholders.

The Board Charter together with the Articles of Association guide the Board of Directors in the discharge of their duties as they set out the expectation of the Board, Management and their impact on the Company. Every Board Committee has its own Terms of Reference that sets out the scope and mandate of the Committee and its responsibilities to the Board. The Charter is reviewed on an annual basis to ensure that the principles set out therein are relevant and comply with the applicable laws and regulations.

The key functions of The Board include:

- Approving and monitoring the implementation of the strategic plan and annual business plans including regular review of the company's performance against the set objectives.
- Review the financial reports and approve the requisite public announcements and ensuring that there are adequate controls and procedures in place to maintain the integrity of accounting and financial records and statements.
- Enhancing long-term shareholder returns whilst having regards to the interests of stakeholders including customers, suppliers, employees and the communities in which we operate.
- Reviewing and monitoring that the Company maintains an effective system of internal controls, processes and that the Company conducts its operations in accordance with applicable laws and regulations.
- Ensuring that a formal risk, compliance and internal controls assessment is undertaken on a regular basis to ensure that the governance and statutory requirements of the Company and its stakeholders are met.
- Approving key executive appointments and remuneration; monitoring and reviewing executive

CORPORATE GOVERNANCE REPORT (Continued)

succession planning reviewing and monitoring the performance of the Group CEO and the Senior Leadership Team.

- Monitoring the regulated subsidiaries within the Group to ensure that they carry out their businesses in a financially sound manner and that they do not fall below the required capital adequacy levels as set out by regulators.
- Ensuring adherence to the Capital Markets Authority Act, Code of Corporate Governance for Issuers of Securities to the Public and the Board Charter.
- Managing the Group's relationship with local external stakeholders and regulators
- Approving material restructuring transactions including acquisitions and disposals in line with the provision of the Group Governance Framework and applicable legislation.
- Where required or necessary, seek independent professional advice.

The Board of Directors has delegated the day to day operations of the Company to the Management team which is headed by the Group Chief Executive Officer and supported by the Senior Leadership Team. The roles and responsibilities of the Board and Management are separate, further the Chairman of the Board and the Group Chief Executive Officer are different individuals each having their distinct duties and responsibilities.

The Chairman is responsible for:

- The leadership of the Board and ensuring that the Board functions are effectively carried out.
- Setting the Boards' agenda while striking a balance between strategy and performance.
- Ensuring that the Board has sufficient oversight over its Committees by ensuring that the Committees meet regularly and comprehensively report their activities to the Board.
- Ensuring that sufficient time is allowed for discussions on complex, contentious and critical issues and that all director's engage and contribute to these discussions while ensuring that appropriate time and information is provided to the director's to take sound decisions on such matters.
- Encouraging active engagement and appropriate challenges by the Board on the Group's risk and control environment.
- Facilitating effective communication between the Board and the senior leadership team inside and outside of the Board meeting framework.
- Encouraging active and effective communication with shareholders and key stakeholders

The Group Chief Executive Officer is responsible for:

- Driving the implementation of the strategy and business as approved by the Board and regularly reporting on the progress on execution.
- Leading and motivating the Executive Leadership team by ensuring they set annual performance objectives that stretch their capabilities and monitoring the delivery of the same.
- Maintaining and ensuring the effectiveness of the system of governance adopted across the Group.
- Managing all matters affecting the operations and performance of the Group within the authority delegated to him by the Board.
- Providing timely and accurate information about the Company and key/material developments to the Board.
- Communicating to internal and external stakeholders on matters affecting the Company.
- Ensuring that the Company operates in compliance with all relevant laws and regulations.
- Acting in good faith on a way to promote the success of the company for the benefit of its shareholders

1.1 Board and Committee Responsibilities

1.1.1 Main Board

The Board meets at least once every quarter and may convene special meetings from time to time depending on business exigencies. All Board meetings are scheduled in advance of the respective year through an annual rolling calendar of Board meetings which facilitates planning and availability of the members. A workplan is also rolled out every year indicating the areas of focus for the Board in the coming year. Board Committee meetings are scheduled in advance of the Board meeting so that all technical matters are appropriately addressed at the committee level and reported to the Board for ratification or approval. For the year ended 31st December 2020, the Board met six (6) times.

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.

During the year, the following directors held office and attended meetings as follows:

CORPORATE GOVERNANCE REPORT (Continued)

During the year, the following directors held office and attended meetings as follows:

Name	Role	Attendance at qualifying meetings	Average attendance rate
Dr. JB Wanjui*	Chairman – Non-Executive Director	N/A	N/A
Michael John Harper	Deputy Chairman Independent Non-Executive Director	6/6	100%
James Muguiyi	Non-Executive Director	6/6	100%
Robert Mbugua	Independent Non-Executive Director	6/6	100%
Susan Omanga	Independent Non-Executive director	6/6	100%
George Maina	Non-Executive director	6/6	100%
Vincent Rague	Independent Non-Executive director	6/6	100%
Joseph Wanjui Jr	Alternate Director to Dr JB Wanjui	5/6	83.3%
Shailesh Devchand	Non-executive director	5/6	83.3%
Clement Chinaka	Non-Executive director	4/5	80%
Richard Treagus	Non-executive director	5/6	83.3%
Maria Shipiri (appointed 19th May 2020)	Independent Non-executive director	3/3	100%
Catherine Adeya (appointed 10th December 2020)	Independent Non-executive director	N/A	N/A
Arthur Oginga (appointed 24th June 2020)	Executive director	3/3	100%
Peter Mwangi (resigned 8th April 2020)	Executive director	1/1	100%
Board Average attendance			94.6%

*The Chairman took a sabbatical in 2019 and the Board has been under the effective leadership of the Deputy Chairman, as such, his personal attendance at Board meetings has not been included in the consolidation but rather that of his alternate.

The Board has incorporated five (5) standing Committees: Board Audit Committee, Risk and Compliance Committee, Remuneration, Nominations and Corporate Governance Committee, Technology, Digital and Innovation Committee, and the Committee for Customer Affairs.

The Board currently has one (1) ad hoc Committee which is the Project Saffron Independent Oversight Committee which is tasked with overseeing the completion of the legal integration roadmap for the Kenya life businesses within the UAP Old Mutual Group. The Board has an advisory board known as the Future Forum comprising of independent members whose main purpose is to support business models within the Group in line with the digital transformation strategy. The Future Forum reports to the Board through the Technology, Digital and Innovation Committee.

CORPORATE GOVERNANCE REPORT (Continued)

1.1.2 Audit Committee

Membership during the year	Attendance at qualifying meetings	Attendance average
Robert Mbugua (Chairman)	4/4	100%
Susan Omanga	4/4	100%
George Maina	4/4	100%
Vincent Rague	4/4	100%
Committee average attendance		100%

The Audit Committee is constituted with a majority of the members being independent non-executive directors; the Chairman is a member of good standing with the Institute of Certified Public Accountants in Kenya (ICPAK). The Committee is responsible for monitoring the integrity of the financial statements and any formal announcements relating to the Company's performance, considering any significant issues and judgements reflected in them before submission to the Board.

The Committee held four (4) meetings in the year and considered the following matters:

- The 2019 full year results, 2020 half year results and the related public announcements;
- The External Auditors report for the year ended 31st December 2019, Interim Review Reports and the External Audit Plans;
- Implementation of various changes to financial accounting policies and standards, in particular, the Committee receives quarterly reports on the Implementation of the IFRS 17 standard;
- Quarterly reports on the financial performance of the Group and its subsidiaries;
- In line with its oversight mandate, received reports from the subsidiary Board Audit Committees;
- Considered updates on tax matters;
- Considered an update on the initiatives to improve the Control Environment;
- Considered and approved the Internal Audit Plan and Charter;
- Review of the Committee's Terms of Reference and approval of the Committee Work Plan.
- Held an engagement with the auditors (both internal and external) without Management present.

1.1.3 Risk and Compliance Committee

Membership during the year	Attendance at qualifying meetings	Attendance average
George Maina (Chairman)	4/4	100%
Robert Mbugua	4/4	100%
James Muguiyi	4/4	100%
Peter Mwangi (Resigned 8th April 2020)	1/1	100%
Arthur Oginga	2/2	100%
Committee average attendance		100%

CORPORATE GOVERNANCE REPORT (Continued)

The Group's Risk and Compliance Committee supports the Board by providing oversight on the Group's risk profile in line with the approved risk appetite and making recommendations regarding future risk appetite and in particular risks or risk management practices.

The Committee met four (4) times in the year and undertook the following matters:

- Received and considered reports on key financial and operational risk issues;
- Considered reports on capital allocation and cash flow projections;
- In line with its oversight mandate, received reports from the subsidiary Board Risk Committees;
- Received and approved the Committee's 2021 Work Plan and Terms of Reference;
- Reviewed reports on material litigation, compliance and forensic events occurring across the Group;
- Considered the Group's full year attestation report and the letter of Representation;
- Received and considered reports on the legislative and regulatory changes impacting the Group;
- Considered and approved risk policies

1.1.4 Remuneration, Nominations and Corporate Governance Committee

Membership during the year	Meetings attended	Attendance average
Vincent Rague (Chairman)	6/6	100%
Michael Harper	6/6	100%
James Muguiyi	6/6	100%
Maria Shipiri (Appointed 19 May 2020)	2/3	67.7%
Clement Chinaka (Appointed 3 March 2020)	4/5	80%
Committee average attendance		89.3%

In line with the CMA Code of Corporate Governance, the Remuneration, Nominations and Corporate Governance Committee is constituted by a majority of independent non-executive directors. The committee's composition was updated during the year to factor in the retirement of Mr. Jonas Mushosho who was replaced with Mr. Clement Chinaka and the appointment of Ms. Maria Shipiri as a new member. The Committee supports the Board by monitoring the size and composition of Boards across the Group including recommending appointments, succession planning for non-executive directors, receiving reports on the effectiveness of board and committees following the formal evaluation and providing oversight to the Board's professional development program. The Committee also reviews and assesses the Group's remuneration policies and practices that apply to employees as well as to non-executive directors' benefits.

The Committee met six (6) times in the year and undertook the following matters:

- Oversaw the smooth transition at the leadership level following the appointment of Mr. Arthur Oginga as the GCEO in line with the Management Succession Plan.
- Provided oversight in the development and monitoring of governance-related policies including the review of the Board and Committees' terms of reference.
- Recommended appointments of new directors across the Group;
- Reviewed the performance of the GCEO and members of the Senior Leadership team;
- Considered and reviewed the Group's Succession Plan to ensure the directors' pipeline is robust;
- Considered and reviewed the company's corporate governance self-assessment as against CMA's Code of Corporate Governance including reviewing the reporting template prior to submission to the CMA and monitoring the implementation of the remedial action plan;
- Reviewed and considered the Board evaluation results and the action plan;
- Reviewed and approved the variable pay tilting factors for 2020 which address the target being pursued and the weightage against the strategy;
- Considered the Human Capital Strategies and Business Plans.

CORPORATE GOVERNANCE REPORT (Continued)

1.1.5 Technology, Digital and Innovation Committee

Membership during the year	Meetings attended	Attendance average
George Maina (Chairman)	4/4	100%
Giselle Deuchar (co-opted member)	4/4	100%
Dr. Isaac Nzyoka (co-opted member)	4/4	100%
Committee average attendance		100%

The Technology, Digital and Innovation Committee's supports the Board in the oversight of the Group's investments in technology and innovation by ensuring that the Group's information technology and innovation capabilities are fit for purpose, adequately monitored, secured and meet the regulatory requirements and that the infrastructure of the Group is capable of meeting the business demands in line with the Digital Transformation Strategy of the Group.

The Committee met four (4) times during the year and the following key activities were undertaken:

- Review and approval of the 2021 Work Plan for the Committee
- Review and approval of the revised Terms of Reference of the Committee
- Consideration of the Group's COVID-19 Digital & Data Plan;
- Review of the Group Digital Transformation Reports;
- Review of the Group Information Technology Reports;
- Consideration of the Data Transformation Project Reports; and
- Consideration of the feedback reports from Future Forum (advisory board).

1.1.6 Committee for Customer Affairs

Membership during the year	Meetings attended	Attendance average
Michael Harper (Chairman)	4/4	100%
Susan Omanga	4/4	100%
Shailesh Devchand	4/4	100%
Jerim Otieno (co-opted member)	4/4	100%
Joseph Wanjui Jr (co-opted member)	3/4	75%
Gary Voss (co-opted member)	3/4	75%
Committee average attendance		91.6%

The Customer Affairs Committee supports the Board by receiving and monitoring of customer trends, customer complaints, products and technology innovations, review of policy documentation and related concerns in a bid to ensure that customers are treated fairly and receive appropriate information based on their literacy levels.

The Committee met four (4) times in the year and:

- Reviewed and assessed the impact of COVID-19 on the principles of Treating Customers Fairly (TCF) as against the Group's customers
- Received the Group Customer Strategy as well as reports on Distribution and TCF Compliance Reports
- Received updates on Operational Excellence
- Considered quarterly reports on marketing and the progress of integrating the financial services with the Group
- Reviewed and approved the Committee's 2021 Work Plan as well as the Committee's updated Terms of Reference.

CORPORATE GOVERNANCE REPORT (Continued)

2. Changes in the Board

During the year, the following changes took place:

- Mr. Clement Chinaka as a non-executive director with effect from 5th March 2020.
- Mr. Peter Mwangi resigned with effect from 8th April 2020 after stepping down as the Group Chief Executive Officer of the UAP Old Mutual Group.
- Mr. Arthur Oginga was appointed as an executive director with effect from 24th June 2020.
- Ms. Maria Shipiri was appointed as an independent non-executive director, with effect from 19th May 2020.
- Dr Catherine Adeya was appointed as an independent non-executive director with effect from 10th December 2020

3. Board Induction and Development

The Board has in place a formal, detailed induction program to prepare new Board or Committee members for their role, by providing a foundation of knowledge and understanding, which will enable them to effectively fulfil the functions of the role. The induction program is facilitated and coordinated by the Group Company Secretary who ensures that the new director meets with the Board Chairman, the Group Chief Executive Officer, Senior Leadership Team and the Group Company Secretary or designee to obtain practical information pertaining to the company. A director is required to undertake and complete this induction program within six (6) months of their appointment. During the year, the Company Secretariat updated the induction program to ensure it is aligned to the Group Governance Framework.

In addition, each director is issued with a directors' compendium which contains their appointment letter, copies of the Board Charter and Terms of Reference of relevant Committees, the Board work plan, the Board calendar and relevant Board policies.

The Board development programme was updated to ensure that there is a cohesive and consistent development plan to appraise the Board on key developments and trends. An independent body was also appointed to facilitate the Board's training and development. We continue to refine our Board development needs to ensure that training interventions are timely and relevant.

During the year under review, the Board attended training on the Group Governance Framework (GGF), Delegation of Authority and Anti- Money Laundering Compliance in furtherance of the Board Charter requirements for each director to attend at least twelve hours of board development on matters relevant to corporate governance, legal reform, and commercial/business risk. The total training hours for each board member is indicated below:

Name	Role	Training hours
Dr. JB Wanjui*	Chairman – Non-Executive Director	-
Michael John Harper	Deputy Chairman	14.5
James Muguiyi	Independent Non-Executive Director	2
Robert Mbugua	Non-Executive Director	3.5
Susan Omanga	Independent Non-Executive Director	2
George Maina	Independent Non-Executive Director	11
Vincent Rague	Non-Executive Director	2.5

CORPORATE GOVERNANCE REPORT (Continued)

Joseph Wanjui Jr	Alternate to Dr JB Wanjui	2
Shailesh Devchand	Non-executive Director	2
Richard Treagus	Non-executive Director	42
Clement Chinaka	Non-executive Director	5
Maria Shipiri (appointed 19th May 2020)	Non-executive Director	10
Catherine Adeya (appointed 10th December 2020)	Independent Non-executive Director	N/A
Arthur Oginga (appointed 24th June 2020)	Independent Non-executive Director	-
Peter Mwangi (resigned 8th April 2020)	Executive Director	N/A

A formal board development program is being rolled out in 2021 to ensure that directors receive appropriate and ongoing development in line with the skills assessment completed in 2020.

4. Conflict of Interest

The Board Charter places an obligation on directors to make declarations on their personal or commercial interests with a view of avoiding any action, position or interest that conflicts or appears to conflict with the interest of their Group and or role as a director. This is a matter for active and ongoing consideration by all directors, and thus a standard declaration form has been developed for recording and updating directors' interests as they occur and on an annual basis. The declaration of interest arising from any specific issue on the agenda of a meeting is also provided as a standing agenda item for Board and Committee meetings.

The Board continued to ensure compliance with the Conflict of Interest Policy which formally codifies and augments the procedure adopted by the Board in respect of review of conflicts.

As part of declaration on material interests, the Board announced a material disclosure by Dr JB Wanjui in respect to the sale of an un-developed property in Kigali, plot 1363 Kamukina Cell, Kamihurura Sector where the Board had received a non-binding offer by Africa Reit Limited whose majority shareholder is related to the Chairman.

The company confirms that there were no insider dealings identified or recorded within the year under review.

5. Group Company Secretary

The Group Company Secretary/Legal Counsel ("GCS") is Ms. Nkirote Mworira Njiru who is a member of the Institute of Certified Secretaries (ICS) in good standing. The Group Company Secretary is responsible for the improvement and monitoring of good corporate governance processes and procedures. The GCS coordinates and ensures that there is an appropriate flow of information from Management to the Board and vice versa.

All Board Members have direct access to the Group Company Secretary who ensures that the business of the Board functions optimally and adheres to all statutory requirements, while keeping the Board informed on emerging legal and regulatory requirements developments.

CORPORATE GOVERNANCE REPORT (Continued)

STATUS OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR ISSUERS OF SECURITIES TO THE PUBLIC, 2015

The Board and Management continue to put in deliberate efforts towards full compliance with the Code of Corporate Governance Practice for Issuers of Securities to the Public 2015 (the "Code"). The Company has taken the following steps in 2020 to enhance compliance with Code:

1. Ensured the disclosure requirements of the Directors' Remuneration Report as well as the Directors Report as a whole.
2. Revision and update of the Board Succession Plan.
3. Reviewing its composition by undertaking a board skills assessment to identify areas of development for the various directors to appropriately equip directors to undertake their duties.
4. We continue to review diversity on the Board to ensure gender balance with proposed appointments being considered as part of the Board succession plan. Further two new female directors were appointed increasing the number of female directors from one (1) in 2019 to three (3) female members as at the end of 31 December 2020.

SHAREHOLDING STRUCTURE

At 31 December 2019, the top ten shareholders in the Company were:

Holder Names	31 Dec 2019			31 Dec 2020		
	Shares held	% Holding	Rank	Shares held	% Holding	Rank
Old Mutual Holdings Limited	78,919,889	37.276	1	131,119,358	61.93	1
Old Mutual Life Assurance Company (South Africa) Limited	49,332,445	23.301	2	-	-	-
Bawan Ltd	43,258,299	20.432	3	43,258,299	20.432	2
James Ngatia Muguiyi	12,611,247	5.957	4	9,744,223	4.60	3
Estate Of The Late William Kimutai Martin	2,341,480	1.106	5	-	-	-
Chesumut Investments Limited	-	-	-	2,341,840	1.11	4
Andrew Stephen Gray Smith	1,789,189	0.84	6	1,789,189	0.845	5
A/C 017 Genghis Nominees	1,544,900	0.73	7	1,544,900	0.73	6
Standard Chartered Nominee A/C 9230	1,403,000	0.66	8	1,403,000	0.663	7
Owen-Burke Timothy Michael John	1,371,562	0.65	9	1,371,562	0.648	8
Sayani Investments Limited	1,194,957	0.564	10	1,194,957	0.564	9
Standard Chartered Nominee A/C KE11401	-	-	-	1,118,460	0.53	10

Notes:

1. The transfer of shares by Old Mutual Life Assurance Company (South Africa) Limited to Old Mutual Holdings Limited was concluded in 2020.
2. The estate of the Late William Kimutai Martin transferred 2,341,480 shares to Chesumut Investments Limited upon completion of the administration of the estate.

CORPORATE GOVERNANCE REPORT (Continued)

The distribution of shareholders as at 31 -December 2020 is as follows:

Range	Shares	Shares %	Shareholders	Shareholders %
1 – 500	45,136	0.02	129	9.41
501 – 5000	1,682,979	0.79	752	54.85
5001 – 10000	971,312	0.46	131	9.56
10001 – 100000	5,057,165	2.39	161	11.74
100001 – 1000000	9,077,011	4.29	26	1.90
>1000000	194,885,428	92.05	10	0.73
TOTALS	211,718,031	100.00	1,209	100.00

Shareholders Analysis by Domicile

Industry	Shares	%	Shareholders	Shareholders %
East African Community Partner States Institutions	186,368,394	88.03	154	12.74
East African Community Partner State Individuals	24,585,597	11.61	1051	86.93
Foreign Individuals	748,965	0.35	3	0.25
Foreign Institutions	15,075	0.01	1	0.08
TOTALS	211,718,031	100.00	1209	100.00

The directors' direct and indirect interests in the ordinary share capital of the Company on 31 December 2020 was as follows:

Name	Shares	% holding
Dr. JB Wanjui as the ultimate beneficial owner of Bawan Limited	43,258,299	20.432
James Ngatia Muguiyi	9,744,223	4.60

RISK MANAGEMENT REPORT

OUR APPROACH TO RISK MANAGEMENT

An important aspect of being our customers' first choice and trusted financial partner and to deliver on our brand promise, is to be a certain friend in uncertain times. This provides the foundation for our risk strategy: we want to ensure that we will be around to provide the benefits that our customers are expecting us to provide, especially in adverse financial conditions. Our reputation and success as a business is based on being financially strong and on treating our customers fairly.



Being our customers' first choice



Trusted financial partner



Deliver on our brand promise

Our risk management approach is aligned to the Group's purpose and strategy. A comprehensive and mature risk management framework is in place, which is anchored in the five lines of defence model and includes a clear articulation of our risk strategy. It ensures disciplined risk-based decision making in the Group and active control over the risk exposures to which our earnings and capital are exposed. This achieves a more sustainable delivery of headline earnings and RoNAV within our chosen risk appetite. We have a comprehensive suite of risk policies to direct how specific risks should be managed and controlled, aligned to our risk categorisation model. Appropriate escalation and response mechanisms are in place for risk events and breaches in risk limits and targets. We apply a forward-looking solvency and liquidity assessment that enables us to assess the robustness of our balance sheet in adverse conditions, and we have modelled severe scenarios to ensure strong resilience of solvency capital. Our Kenya Insurance businesses have fully complied with the prescribed capital regulatory requirements and our regional business have also maintained strong regulatory capital positions and liquidity.

PRINCIPLES UNDERLYING OUR RISK STRATEGY

In developing our risk strategy, we therefore consider the following considerations:

MAINTAINING TRUST WITH STAKEHOLDERS	<p>Our reputation is founded on trust from our customers, employees, shareholders, regulators, and society in general. Trust takes time to be earned and can be undermined very quickly by poor decisions or actions.</p> <p>A key part of our strategy is therefore based on treating customers fairly, and integrity continues to be one of our core values as we believe it is essential for sustainable long-term growth. In order to provide our customers with good value for money we will charge them a reasonable price for the risks that we underwrite and the services that we provide, and we recognise the importance of earning competitive investment returns.</p> <p>When selling new business, we aim to only sell products that meet our customers' needs and which they can afford. Strong sales growth (with good persistency) will be the result of successfully meeting customers' needs, rather than sales growth being an end in itself. Good controls to manage operational risks also contribute to building trust by ensuring good customer service, clear communication, fraud prevention and quick action to fix mistakes.</p>
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TOLERANCE FOR UNCERTAINTY	<p>We want to avoid taking risks that could threaten our licence to operate and the financial security of the Group in adverse financial conditions. However, our business strategy is predicated on strong and responsible growth in market share and profits, and we will not be able to do so successfully if our risk strategy is too prudent.</p> <p>We recognise that to provide protection for our customers, and to provide them with good value for money, we need to accept certain risks on their behalf. We are therefore willing to accept certain risks, and there are some risk types for which we have a strong preference (as described later in this document). We will however ensure that risk taking is cognisant of the level of financial resources deployed to Group businesses and our appetite for earnings volatility.</p>
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RECOGNITION OF THE VALUE OF DIVERSIFICATION	<p>Diversification is key in insurance and is used to avoid excessive risk concentration, so that we do not depend excessively on things going right in one particular area, and the sustainability of the whole business is not undermined if something goes wrong in one area. Diversification can be applied across a broad-spectrum including risk types, products, geographies, target markets and distribution channels.</p> <p>We recognise that we are a highly interconnected financial institution and that distress in one business unit is likely to be transmitted to other business units. We therefore aim to understand and mitigate the interconnectedness of risks and its potential contagion effects in adverse conditions.</p>
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RECOGNITION OF RISK MITIGATION	<p>We have developed adequate Risk mitigation techniques to help manage risk exposures by passing on the risks third parties in the form of reinsurance for Insurance risks and having strong and well controlled internal processes in place to mitigate other types of risks like operational, business and strategic risks.</p>
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OPTIMISE RETURNS ON A RISK-ADJUSTED BASIS	<p>Our aim is to focus on the risks where the expected return more than compensates us for the risk taken, and we want to avoid those risks where the expected return is too low. We will not sell new business at a loss or where the long-term expected return is less than our cost of equity, even if this means giving up potential market share.</p> <p>We also aim to take on risks that are efficient from a capital perspective as growing more capital efficient risk types will also optimise Group RoNAV. Thus, there is a strong focus on risk types that result in the lowest marginal increase in capital requirements at a Group level.</p>
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FOCUS ON RISKS WHERE WE HAVE SKILLS AND A COMPETITIVE ADVANTAGE	<p>Our aim is to focus generally on risks that we understand and can manage well which aligns to our business strategy to focus on winning where we have a competitive advantage and/or strong expertise. However, we recognise that remaining relevant to our clients and maintaining a competitive edge is dependent on continuously innovating our products and services which involves growing in areas where we may not necessarily have a competitive advantage or extensive experience.</p>
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RISK MANAGEMENT REPORT

RISK APPETITE MANAGEMENT

The key objective of the risk appetite framework is to ensure disciplined risk-based decision making in the Group. Actively controlling the risk exposures to which our earnings and capital are exposed will result in more sustainable delivery of RoNAV within our chosen risk appetite.

Our Risk Appetite limits defines the level of risk exposure the Group is willing to accept in meeting its business objectives. That is, how much of a specific risk type the Group is prepared to take on. Risk appetite metrics have been developed to measure the level of Capital (Solvency Capital), Earnings (Earnings at Risk) and Liquidity (Liquidity Coverage) risks and are used to manage our overall risk exposures and to express our tolerance for uncertainty resulting from risks we take on.

MATERIAL RISK CLASSES

Risks with high or moderate risk preferences are generally regarded as opportunities that we actively seek to create customer and shareholder value. Other risks are regarded as uncertainties that pose financial and non-financial obstacles to meeting business objectives and we seek to effectively manage or avoid these downside

risks. The key risks we are exposed to are.

INSURANCE RISKS (LIFE AND NONLIFE) We face the risk of life or non-life claims deviating from expected assumptions and have an adverse impact on earnings/capital. We have developed strong underwriting skills and tools for adequate product pricing and reserving. We also leverage on strong reinsurance programs against adverse claims experiences and on technical underwriting skills to compliment our internal capabilities

Effects of Covid -19 to the Group Following the declaration of Covid-19 Pandemic, management activated the CMT (Crisis Management Team) to lead actions towards incidence response to the pandemic. The priority of the CMT was on ensuring the health & safety of our employees & customers as well as business continuity during the periods of movement restrictions. Immediate actions we took revolved around enabling our employees to work remotely. All our business premises have complied with government guidelines on Occupational Health & Safety in relation to prevention of the spread of Covid-19. We have now shifted focus from crisis management to business resilience and have set up a nerve center to identify the priority actions that are required to address the impacts of Covid-19, and set the business for success under the new normal.

BUSINESS RISK This is the risk that our business performance will be below projections because of negative variances in new business volumes, high lapse rates and adverse expense experience. In response to these risks, we have enhanced our product distribution channel through digitalisation to grow business volume and retention through wider reach and improved customer experience. We have also driven prudent expense management through operational excellence.

CREDIT RISK We are exposed to credit risk through premium debtors and counterparty default risk from investments and reinsurance. We partner with insurance companies with high credit rating scores and have reduced our exposure to corporate bonds to highly rated institutions. Our premium debtors default risk exposure is managed through primarily applying "cash and carry" on policies and only extending short term credit where the law allows, and the clients have a strong internal credit score

EXTERNAL RISKS Failure to anticipate and respond to changes in global, regional or local external conditions (Competition, changing customer needs, emerging laws and regulations, environmental, socio-political) could result in the Group's inability to deliver value and meet financial projections in a given market. Through digitalisation, we are developing solutions that improve our customer value proposition and experience and address current and anticipated customer needs. Emerging risk identification and response is also core to our strategy development and execution.

LIQUIDITY RISK The risk that the Group will not be able to effectively meet expected and unexpected current and future cash flows and collateral needs without affecting daily operations or the financial condition of the organisation.

MARKET RISK We are exposed to adverse changes in our balance sheet or on future earnings whether directly or indirectly, due to fluctuations in the market prices of financial instruments we hold and on property valuations. We have a low appetite for market risk and are gradually reducing our exposure to volatile investments in the short to medium term.

INFORMATION SECURITY AND CYBER SECURITY RISK Our key risks are around protecting the confidentiality, availability and integrity of our data. The other key risk area is protecting our information systems against cyber attacks. This risk is elevated by the remote working arrangements deployed in response to Covid-19 infection concerns. We have invested significantly in identifying and mitigating vulnerabilities to our systems through implementation of new technologies to support Information security enhancements and business resilience.

SUSTAINABILITY



175
YEARS
IN AFRICA

100
YEARS
IN EAST
AFRICA



175 YEARS OF
HELPING YOU SET YOUR GOALS

STAKEHOLDER ENGAGEMENT



Customers

Old Mutual has 6.1 million customers in South Africa.
Our retail customer base ranges from low income to high net worth individuals, and SMEs to large corporates and institutions.



Intermediaries

Our physical distribution network includes tied advisers, independent financial advisers (IFAs), independent brokers and independent sales agents.
We have 11,865 tied advisers, 16,100 independent financial advisers and 6,400 independent brokers servicing customers across South Africa and Rest of Africa.



Employees

We have employed 3,298 skilled and diverse employees across East Africa



Investors

Our investors include equity and debt holders. Our equity holders include institutional and individual investors from across the globe.



Communities

Our communities include the citizens of the countries where we operate, as well as non profit organisations and our strategic partners and suppliers.



Regulators

We are regulated by various laws and regulatory bodies in the countries where we operate.

THE IMPORTANCE OF OUR STAKEHOLDERS TO OUR EXISTENCE

Our customers are the lifeblood of our business and we are committed to championing mutually positive futures for them everyday. They acquire our products and services and are our main source of revenue. Their changing needs and goals motivate us to innovate and push boundaries.

Intermediaries serve as a crucial interface with our customers. They establish relationships with new customers, provide appropriate advice according to their needs and service them through a combination of face to face and digital channels to optimise and enhance their experience.

We depend on our highly engaged and motivated employees to put our customers first in everything they do and we rely on them to act as custodians of our brand. They also enable us to execute on our strategic priorities and deliver long term value to investors.

THE IMPORTANCE OF OUR STAKEHOLDERS TO OUR EXISTENCE

As the providers of financial capital our investors enable business continuity and growth. They also allow us to make a positive contribution as a financial services provider on the African continent through serving our customers and communities.

Communities create an ecosystem in which we do business and enable us to build relationships with customers, suppliers, strategic partners, employees and funders.

Regulation promotes a functioning society, and ensures that the financial industry remains fair and sound, safeguarding customer confidence.

THE NEEDS, EXPECTATIONS AND CONCERNS OF OUR STAKEHOLDERS

- Innovative and flexible product solutions
- Competitive and transparent pricing
- Omnichannel experience and ease of use
- Fast and efficient customer service
- Responsible and appropriate advice
- Relief in times of significant financial difficulty

- Digital applications and tools that save time and are easy to use
- Support and infrastructure to enable productivity
- Product and regulatory training
- Fair incentives that reward efforts

- Fair and competitive remuneration
- Training and development for personal and career advancement
- An inclusive, diverse and safe working environment
- Digital enablement for new ways of working

THE NEEDS, EXPECTATIONS AND CONCERNS OF OUR STAKEHOLDERS

- Sustainable and growing financial returns and distributions
- Well capitalised balance sheet to protect against downside shocks
- Clear strategic direction and strong operational execution
- Experienced management team
- Transparent reporting and disclosures
- Strong financial control environment and governance and ethics frameworks

- Skills development
- Access to funding programmes
- Financial education and inclusion
- Contributions to social and environmental issues

- Compliance with legal and regulatory requirements in all countries where we operate
- Being a responsible taxpayer in all jurisdictions
- Active participant in industry and regulatory working groups
- Strong governance frameworks and ethics
- Adhering to capital requirements as prescribed by regulatory bodies in countries where we operate

HOW WE MEASURE VALUE CREATED FOR OUR STAKEHOLDERS

- Claims and benefits paid
- Investment performance against benchmark
- Brand recognition awards
- Net promoter score (NPS)

- Fees and commissions paid
- Training spend
- Satisfaction score

- Salaries and benefits paid
- Investment in employee skills development and training
- Culture survey engagement numbers
- Employment Equity score

HOW WE MEASURE VALUE CREATED FOR OUR STAKEHOLDERS

- Cash dividends paid
- Interest paid to debt holders
- Return on Net Asset Value
- Adjusted Headline Earnings per share
- Group solvency ratio in excess of regulatory minimums

- Response to communities in crisis
- Responsible investment in socially inclusive, low carbon and resource efficient investments
- Total investment per focus area of our Responsible Business framework

- Group solvency ratio in excess of regulatory minimums
- Direct and indirect tax contribution by jurisdiction

SUSTAINABILITY AND SOCIAL RESPONSIBILITY

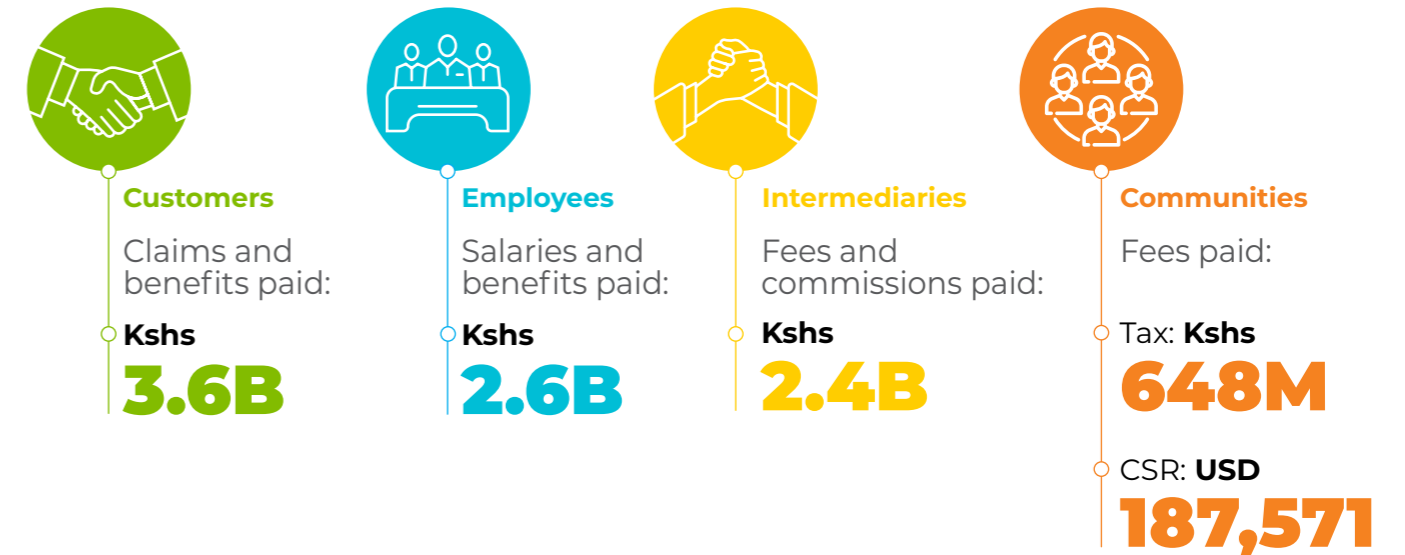
Our impact through responsible business

We leverage our position within the financial services industry to nurture an ecosystem that multiplies value for both our customers and the communities within which we operate. Our approach is to balance the urgent necessity for positive impact today with the need for sustainable solutions for the health and prosperity of future generations and for the planet. Today we have more than KSHS. 436M responsibly invested for positive outcomes.



Our responsible business agenda

Our heritage of 175 years across Africa and 100 years in East Africa is a testament of our belief in creating shared value for our investors, employees, customers and the communities we operate in. This has facilitated the long-term sustainability of the Group and enhanced our competitiveness.



Regulators and Industry Associations

Kenya Revenue Authority:
Yield Large:
Old Mutual Life Assurance Company Limited

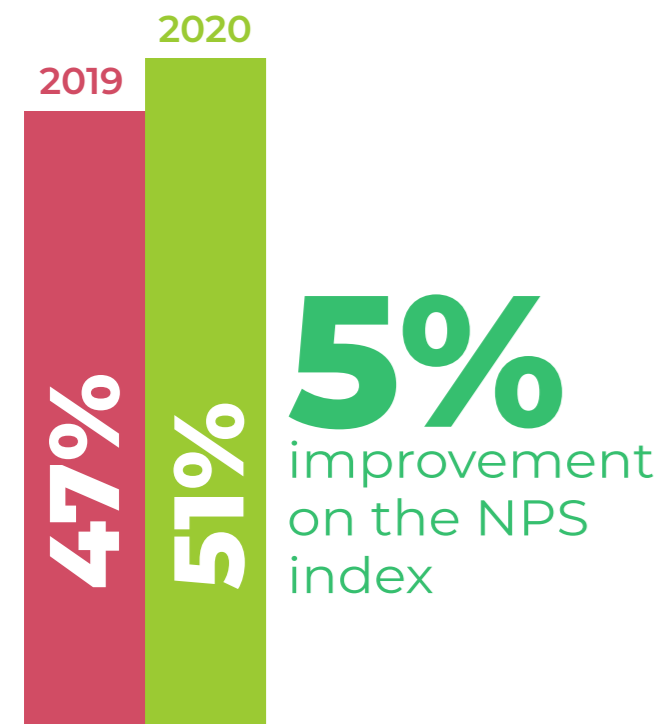
SUSTAINABILITY AND SOCIAL RESPONSIBILITY (Continued)



In everything we do, our customers come first. Our long standing history and achievements across Africa has been largely supported by our customers and the relationships we have established with them over the years we have been in operation.

Treating Customers Fairly (TCF) is one of the Principles that has guided our staff in ensuring that we serve and retain our customer base with the certainty that they are happy and that we deliver our promise to them to attain their financial goals.

Even though 2020 was a challenging year, our customers continue to remain with us and we have delivered as below:



- A market share of 8.3% in the GI business and position 1 in the market
- Net promoter score (NPS) index improvement from 47% in 2019 to 51% in 2020

The declaration of COVID -19 as a global pandemic in March 2020 saw communities and economies severely impacted. To ensure uninterrupted service to customers, the medical businesses across East Africa launched several innovative solutions to enable customers access services from the comfort of their homes. These include tele-medicine, tele-consultation and tele-counselling accessed via the Group's digital channels and saw customers take-up and enjoy the services. Results as at December 2020 included: 359 tele-consultations, 780 drug deliveries via tele-medicine, 27 tele-counselling and 50 customer webinars.

The Life business honored claims under policy amounting to Kshs 160,643,300 to families affected by COVID - 19.

The Group made significant strides in the digital transformation journey to enable customers access financial services and advice on the go and help them plan for their individual and family's finances. The notable achievements include the deployment of:

- New websites in Uganda, Tanzania, Rwanda and South Sudan
- Digital motor product targeting our retail customers for the General Insurance business in Kenya
- Digital last expense (funeral expense) product through our partner banks – Faulu, Stanbic, DTB, Ecobank, NCBA & Sidian
- Updated data architecture enabling a single customer view across our businesses as part of the data transformation through the 'JAZA SMART DATA' project
- Digital customer data acquisition portal for our businesses in East Africa
- Launch of the global digital transformation program 'MyOldMutual' in East Africa and across RoA

The Kenyan public website also had an 80.6% growth of unique digital users on the compared to 34.3% in 2019.



Staff engagement is key in ensuring the heartbeat of an organization is strong and reflected in our interactions with customers, vendors and shareholders. The Group invested significantly in technology to improve internal operational efficiency and deliver on the digital ambition through people capabilities. The year 2020 saw a massive change in the way that we work and collaborate with one another. In this regard we:

- deployed and scaled up the usage of collaboration tools allowing our staff to work securely from the comfort of their homes in response to the COVID - 19 pandemic; and
- provided remote sales collaboration capabilities for our partners to facilitate engagement with customers.

These capacities have ensured continuity of business operations, seamless engagement with our customers and partners. We have also contained operational costs through automation of critical process enhancing business efficiencies.

Staff welfare and participation is also a key component for facilitating the smooth running of the organization. A series of initiatives to involve staff were undertaken as below:

- A mini pulse survey focusing on Employee Engagement, Execution and Delivery and Psychological Safety whose results showed improvement in the number of staff participation from 753 out of 1240 in 2019 to 843 out of 1245 in 2020. The overall engagement scores were higher in 2020 than in 2019. From the survey results, employees are

happy to work with the brand with improvements on our internal processes, built leadership cohesiveness and more engagements.

- A free leave day dubbed 'duvet day' was gifted to all staff working in the company in 2020 in honour of celebrating 175 year in Africa. This served as a token of appreciation for the role they play in the ongoing success of the organisation. Staff took the day during their birthdays or birthday month throughout the year and this will expire on 31st May 2021
- E-learning program for staff which has increased from 618 completed courses in 2019 to 2076 in 2020
- Streamlining Human Capital processes on recruitment, growth and retention to have a gender balanced workforce. This has started bearing fruit with the Rwanda MD position being held by a woman who is also the Chairman of the Rwanda Insurers Association (ASSAR)

Staff were also trained on Financial crime policies. 6 e-Learning modules were rolled out covering fraud & theft, anti-bribery and corruption, our gifts policy, whistleblowing, conflict of interest, and internal irregularities. The modules are meant to enhance employee's awareness and alertness to areas of financial crime and improve the financial crime risk culture of the organization.

Fraud Risks Assessments were also conducted for the General Insurance and Life Businesses and management actions and controls to address the risks were identified. Management actions to mitigate risk were identified.

SUSTAINABILITY AND SOCIAL RESPONSIBILITY (Continued)



Our Communities & Environment

The UAP Old Mutual Foundation strategy is underpinned on the creation of financial wellbeing for our communities as a critical pillar in the attainment of basic needs. Financial education, skills and literacy programmes, financial inclusion programmes, such as those that seek to strengthen small businesses is part of how the Foundation promotes and realises financial well being.

Our initiatives in this category seek to promote the Sustainable Development Goals with a focus on:



Impact:

1. Empower young people with skills for employability and entrepreneurship for job creation
2. Increase the literacy and skills levels in the society to support innovation and economic development
3. Improved livelihoods through associated benefits of increased earnings per household

During the year, UAP Old Mutual Foundation and Simba Foundation partnered to fund provision of automotive and entrepreneurship training to youth in Nairobi, Mombasa and Kisumu.



In this innovative partnership, students will undertake training based on the Competency Based Education and Training (CBET) curricula, where the beneficiaries receive class training and industry training in tandem. Above the funding, the partners will provide linkage to garages for industry training, free financial education and mentorship opportunities by staff.

UAP Old Mutual Foundation continues to provide financial education at no cost to the beneficiary communities.

2020 / 2021 Targets	
Program Partners	5
Vocational Training	70 Youth
Financial Education for Communities	1,000
UAP Old Mutual Foundation Investment	Ksh. 5million

SUSTAINABILITY AND SOCIAL RESPONSIBILITY (Continued)



UAP Old Mutual Group response to the COVID - 19 pandemic

Through partnerships and self-driven initiatives, the UAP Old Mutual Group contributed to various programmes in support of the COVID - 19 National response, in line with our Responsible Business ethos as below:

Kenya - Kshs 11.5 Million

The Foundation contributed Kshs 3.1M to industry joint initiatives towards the National COVID - 19 Emergency Response fund.

- Kshs 1.1M to the Capital Markets Authority (CMA) through the Asset Management Business Unit
- Kshs 2M to the Insurance Regulatory Authority (IRA) through the General Insurance and Life Business Units

In healthcare, a partnership with Gertrude Hospital Foundation enabled the testing of over 175 vulnerable children and a donation of COVID - 19 testing kits and protective equipment worth Kshs 2.8M.

A contribution Kshs. 5.6M from the Foundation helped support community initiatives:

- 26,500 reusable masks to Uber cab drivers and bodaboda (motorcycle operators)
- Shopping vouchers for 434 casual workers across our offices in Kenya
- Partnered with staff to support vulnerable groups in their communities

Uganda UGX110 Million

10M UGX was donated in support of the National task force. 100 beds worth UGX 100M were also donated to the National taskforce for distribution among the National referral hospitals handling COVID - 19 patients.

Tanzania Tshs 50 Million

To support the Ministry of Education and ensure safety for the children in schools, the business donated 40 water tanks and soap to 30 public schools to access running water to wash their hands thus providing a safe environment while in school.

Rwanda Rwf 31.6 Million

A video production with useful tips on the prevention of COVID - 19 in partnership with King Faisal Hospital Kigali at a cost of Rwf 1.8M was developed to sensitise the general public on the importance of washing hands to prevent the spread of the virus.

A donation of food worth Rwf 29.8M was made to the Rwanda football federation members and their families .

Total value of the donation is USD 187,571



Group CEO Arthur Oginga presents a dummy cheque of **2.8million** to Gertrude's Hospital to help against Covid-19



100 beds worth UG.shilling **100million** were also donated to the National taskforce for distribution among the Ugandan National referral hospitals handling COVID - 19 patients.



Our Suppliers and Service Providers

In compliance with the legislation on Anti Money Laundering, the Group implemented sanctions screening and politically exposed persons (PEPs) screening of suppliers and service providers during the onboarding process. Additional information for legal entities were introduced as part of mandatory requirements to determine the Ultimate Beneficiary Owner(s) to aid in screening the potential suppliers and service providers during the Know Your Vendor (KYV) process.

To ensure great customer experience, the procurement function conducted supplier due diligence through a supplier enhanced vetting process. The report thereof has assisted the business in supplier development and upskilling to ensure the company partners with service providers who meet the set minimum requirements.

In order to ensure business sustainability, procurement in support of the business is leading a transformational journey christened War on Waste (WOW) where through our cost leadership mantra, focus is given to cost savings initiatives and cost control. The WOW is group-wide and seeks for opportunity to negotiate existing operational expenses contracts before they are renewed, conduct a benchmarking exercise with every procurement activity and seek to rationalise all fixed and variable cost areas to ensure that through cost avoidance, we do not incur expenditure that may be avoided. In this we have placed for ourselves an ambitious target of Kes300m. In 2020 the team saved Kshs 26,406,286 from the initiative.

The UAP Old Mutual Tower also added to the savings as a result of the working from home program. KSHS. 1,491,756 was realized from this initiative.



**SAVED
Kshs 26.4M
IN 2020**

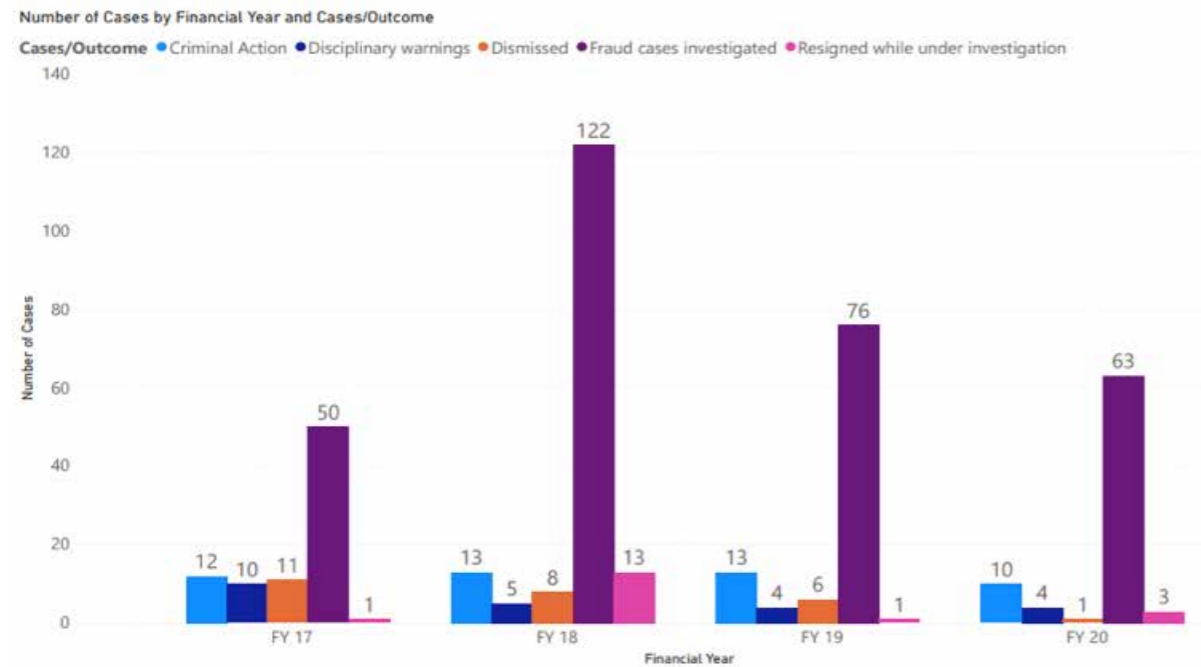
The UAP Old Mutual Tower also added to the savings as a result of the working from home program.

KSHS. 1,491,756
was realized from this initiative.

SUSTAINABILITY AND SOCIAL RESPONSIBILITY (Continued)

Forensics Update

In FY 2020, a total of 63 cases were reported and investigated. By contrast far more fraud cases were investigated in FY 2019. Internally 1 employee was dismissed, 4 were given disciplinary warnings and 3 resigned when they were placed under investigation. Externally 10 cases were referred to the police for further investigation and prosecution of the culprits.



Our Contribution to The United Nations Sustainable Development Goals

The Sustainable Development Goals are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. Here is a snapshot of our contribution towards some of these Global Goals.



4 QUALITY EDUCATION



THE NEED: To provide primary education and amenities to children

OUR CONTRIBUTION:

Through the UAP Old Mutual Foundation, the Group provides scholarships and has carried out intervention initiatives for 2 schools; Kaluki school and Upperhill Secondary school.

The intervention initiatives included donating beds and water tanks for Kaluki School and sponsoring dorm renovation at the Upper Hill School.

5 GENDER EQUALITY



THE NEED: To provide gender parity in the organization and empower women through leadership positions

OUR CONTRIBUTION: We have 13% of women in leadership in East Africa.

Through Old Mutual Women Network, we have provided an avenue of women to network and learn from each other and from women who have made a mark in Africa. The Network has also partnered with women groups such as Nyar Gwada who recycle paper to beads.

17 PARTNERSHIPS FOR THE GOALS



THE NEED: To improve access to technology and knowledge through sharing ideas and executing.

OUR CONTRIBUTION:

Our strategic partnerships are contributing to the growth of skills development and management of the pandemic.

8 DECENT WORK AND ECONOMIC GROWTH



THE NEED: To promote sustained economic growth, higher levels of productivity and technological innovation.

OUR CONTRIBUTION: We have employed 3298 people across East Africa and retained the same workforce in 2020 despite the pandemic.

99% of our assets are invested in Kenya which contributes to the growth of the economy through investments.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



THE NEED: To invest in infrastructure and provide innovations to solve emerging needs and grow the economy

OUR CONTRIBUTION:

We have provided digital health products through our health business to meet customers at their point of need. We have also invested KSHS. 95.8M in digital infrastructure to provide alternative, safer and faster ways to communicate with our customers and staff.

7 AFFORDABLE AND CLEAN ENERGY



THE NEED: Expanding infrastructure and upgrading technology to provide clean and more efficient energies to encourage growth and help the environment.

OUR CONTRIBUTION:

We are developing a solar power plant at UAP Equatoria Tower

Juba, projected to produce over 1,000,000 KWh per annum. The solar plant will in the first year cut back diesel dependency at

the Tower by 50% with continuous improvements in conversion efficiency in the subsequent years to fully eliminate dependency on diesel.



175
YEARS
IN AFRICA

100
YEARS
IN EAST
AFRICA



175 YEARS OF
HELPING YOU SET YOUR GOALS

DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements for the year ended 31 December 2020 which disclose the state of affairs of UAP Holdings Plc (the 'Company') together with its subsidiaries (the 'Group').

On 9 March 2020 the Company changed its name from UAP Holdings Limited to UAP Holdings Plc in compliance with the Kenyan Companies Act, 2015.

Principal activities

The Group is engaged in the business of insurance, premium financing, investment management, property and stockbroking services. These activities are carried out through the Group's subsidiaries in Kenya, Uganda, Tanzania, South Sudan, Mauritius and Rwanda. These activities are briefly described below:

Insurance business: The Group has seven subsidiary undertakings that underwrite all classes of life and non-life insurance risks as defined by the Insurance Acts in their respective countries of domicile. The Group does not underwrite industrial life insurance. The Group also issues investment contracts to provide its customers with asset management solutions for their savings and retirement needs, and provides insurance premium financing services. These operations are carried out in Kenya, Uganda, Tanzania, South Sudan and Rwanda.

Stockbroking: The Group provides stockbroking services through its subsidiary, UAP Old Mutual Financial Services Limited, a Ugandan based Company.

Property: The Group holds investments in two property companies based in Uganda and South Sudan. The Company directly owns commercial property and through its other subsidiaries owns a portfolio of commercial and residential properties in Kenya, Uganda, Rwanda and South Sudan.

Business review

The Group reported a loss before tax for the year of KShs 1.0b. This was an improvement compared to the previous year's loss before tax of KES 3.2b largely driven by the non-recurrence of the significant fair value losses in property experienced in 2019.

Despite the improvements the Group registered a loss for the year driven by subdued investment performance owing to the impacts of the COVID-19 pandemic on equity investments, losses in our life business and increased operating expenses. The life business experienced reduced revenues due to inability of agents to meet clients during the lockdowns in the Kenya and Uganda market and lower investment income attributable to the subdued markets the combination of which led to reported losses.

The short-term insurance business recorded a profit as management continued to focus on underwriting quality business and reserving appropriately under the current difficult market environment.

The performance observed is attributable to materialization of key risks surrounding the Group's businesses which are outlined under Note 4 to these financial statements.

Investment properties

The value of investment properties is KShs 16.46b (2019: KShs 16.01b). The movements were driven by combined fair value losses of KShs 0.1b offset by foreign exchange related gains KShs 0.5b on dollar denominated assets in our Uganda and South Sudan markets which benefited from the depreciation of the Kenya shilling from KShs 101 to KShs 109 over the year.

Revenue growth

Net earned premium (NEP) increased by 2.1% to KShs 16.4b (2019: KShs 16.1b). Despite the difficult operating environment, gross premiums grew from demand for medical insurance. The East Africa insurance space is highly competitive and we continued to experience pricing pressure, undercutting and an overall softening in business conditions which has led to constrained revenue growth. The Group placed heightened focus on improving underwriting performance by retaining and growing quality business.

Net claims

Net claims decreased by 1.4% to KShs 11.4b (2019: KShs 11.6b) largely attributable to reduced claims experience in the medical business across the region which benefitted from a combination of reduced hospital visits owing to the pandemic and management actions to control claims. The non-medical lines of business similarly experienced reduced claims ratios reduced due to concerted efforts to implement claims savings initiatives and focus on maintaining the overall underwriting quality.

DIRECTORS' REPORT (Continued)

Operating expenses

Operating expenses increased by KShs 1.4b over prior year with financial year (FY) 2020 operating expenses of KShs 7.4b compared to 6.0b in FY2019. This was driven by increased distribution costs in line with topline growth, higher software amortization costs following implementation of a new financial system, write-offs and provisions relating to a balance sheet substantiation exercise and increased professional fees relating to claims management initiatives on our motor book.

Underwriting profit and combined ratio














Our underwriting results for the general and medical business registered a loss of KShs 0.4b compared to a prior year underwriting profit of KShs 0.1b mainly attributable to a 16% increase in commissions and other operating expenses while net earned premiums grew by 6% and net claims incurred increase by 4%. The combined ratio moved in tandem from 99% to 103%, an increase of 4%.

Investment income

Net investment income increased by KShs 3.2b as the property impairments of KShs 4.0b recorded in 2019 did not recur in 2020. Further improvements arose from growth in rental income from higher occupancy, additional interest earned from government securities and fixed income instruments and higher investment fees. These gains were partly offset by mark to market, fair value losses on financial assets worth KShs 1.08 b.

Directors

The Directors of the Company, who held office during the year and up to the date of this report, are:

Dr JB Wanjui, CBS	Kenyan		Chairman (Non-Executive Director)
Mr Michael J Harper	South African		Deputy Chairman and Independent Non-Executive Director
Mr James Ngatia Mugujiyi	Kenyan		Non-Executive Director
Mr George Maina	Kenyan		Non-Executive Director
Mr. Clement Chinaka	Zimbabwean		Non-executive Director (appointed 3rd March 2020)
Mr. Richard Treagus	South African		Non-executive Director
Mr. Shailesh Devchand	South African		Non-Executive Director
Mr Jonas Mushosho	Zimbabwean		Non-executive Director (retired 1 January 2020)
Mrs Susan Omanga	Kenyan		Independent Non-Executive Director
Mr Robert Mbugua	Kenyan		Independent Non-executive Director
Mr Vincent Rague	Kenyan		Independent Non-Executive Director
Ms. Maria Shipiri	Kenyan		Independent Non-Executive Director (appointed 19 May 2020)
Dr. Catherine Adeya	Kenyan		Independent Non-executive Director (appointed 10 December 2020)
Mr Joseph Wanjui	Kenyan		Alternate to Dr JB Wanjui
Mr Arthur Oginga	Kenyan		Executive Director (appointed 24 June 2020)
Mr Peter Mwangi	Kenyan		Executive Director (Group Chief Executive Officer) (resigned 8 April 2020)

The resignation or retirement from office of directors listed above did not relate to the affairs of the company.

DIRECTORS' REPORT (Continued)

Results

KShs '000	2020	2019
Loss for the year	(1,312,439)	(3,489,541)
Loss attributable to shareholders of the company	(1,094,167)	(3,137,376)

Dividends

The Directors do not recommend the payment of a dividend in 2020 (2019: Nil).

Relevant audit information

The Directors in office at the date of this report confirm that:

- There is no relevant audit information of which the Company's auditor is unaware; and
- Each director has taken all the steps that they ought to have taken as a director so as to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The Company's auditor, Messrs KPMG Kenya, has expressed willingness to continue in office in accordance with the Kenyan Companies Act, 2015 for the ensuing financial year.

Approval of the financial statements

The financial statements set out on pages 100 to 199 were approved and authorised for issue by the Board of Directors on 29th April 2021.

By order of The Board

Nkirote Mworira Njiru
Secretary



29th April 2021

DIRECTORS' REMUNERATION REPORT

Information not subject to audit

The Company has voluntarily prepared this Remuneration Report in line with The Capital Markets Authority Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 which provides guidelines on Director's remuneration which is aligned to the provisions of The Companies Act, 2015.

The Company has adopted a Remuneration Risk Policy that sets out the guiding principles in respect of remuneration for executive and non-executive directors as follows:

- Remuneration must align to the business drivers, corporate vision and strategic priorities of the Company as approved by the shareholders. The Remuneration and incentive model shall clearly support prudent decision-making, be consistent with the risk appetite, and shall not induce excessive or inappropriate risk-taking.
- Executive Remuneration should be fair and responsible in the context of overall employee Remuneration.
- Remuneration of employees who do work that is the same or substantially the same, and employees whose work is of equal value must be aligned to the principle of Equal Pay for Work of Equal Value.
- Remuneration plans and policies must align the interests of executives with those of shareholders by rewarding delivery of the chosen strategy and sustained performance against agreed financial goals that create long-term shareholder value.

The Board has mandated the Remuneration, Nominations and Corporate Governance Committee (RNCGC) to, inter alia, review the remuneration of non-executive directors and senior management to recommend changes from time to time. The Directors' Remuneration Report is unaudited except where otherwise stated.

Non-Executive Directors

The Company offers a selection of financial and non-financial rewards and benefits to non-executive directors. In determining the remuneration structure for non-executive directors, the Company has adopted a Remuneration model that takes into account the size and nature of the Group's business and comparative benchmarks of similar entities within the financial services sector in East Africa. Non-executive Directors' (other than the Old Mutual representatives) are entitled to the following fees and benefits in respect of their appointment to the board:

1. An annual retainer for board membership prorated and paid monthly in arrears.
2. Sitting allowances for board and committee attendance to compensate the directors for their time in preparation and attendance at board and committee meetings. Premia apply in respect of payments made to Chairmen of boards and committees.
3. Enrolment to the non-executive directors medical and motor private insurance schemes at rates similar to the staff insurance cover.
4. Reimbursement for travel expenses associated with their official duties, where necessary, as well as other direct business-related expenses.
5. Directors' Liability Cover to provide protection for undertaking their duties in such capacity.

Non-Executive Directors do not participate in the Company's staff incentive programs nor do they receive performance-based remuneration. No pension contributions are payable on their fees and no director is entitled to any compensation at the end of their tenure for loss of office. During the year under review, there were no directors' loans or directors' shares scheme.

Changes to directors' remuneration

The fees of non-executive directors are reviewed annually in accordance with the relevant corporate governance standards and requirements and are subject to ratification by shareholders at the Annual General Meeting, exclusive of applicable taxes. In respect of the year ended 31 December 2020, no increments or changes were made to the non-executive director's remuneration structure.

DIRECTORS' REMUNERATION REPORT (Continued)

Information not subject to audit

Executive directors

The company has one executive director, who has oversight over the Company as well as all the Group subsidiaries. In 2020, Mr Peter Mwangi resigned as the Group Chief Executive Officer with effect from 14th April 2020 and Mr. Arthur Oginga appointed in his place with effect from 15th April 2020.

The Group Chief Executive Officer holds a contract of service on permanent and pensionable terms which provides for a company car, club membership, wireless home internet and can be terminated on three (3) months' notice. In accordance with the remuneration policy, executive directors are eligible to participate in the Company's incentive reward scheme – Short Term Incentive (STI) and Long-Term Incentive (LTI) awards - upon achieving various targets agreed with the board. In respect of the year 2020, the performance metrics required to trigger the short-term incentive scheme were not attained and no bonus was paid. The LTI awards are subject to malus, and in some circumstances claw back provisions based on a clear application criteria.

Annual awards under the LTI scheme are subject to deferral, vesting in equal tranches in year 3, 4 and 5 years after the award date. The awards are in the form of phantom Old Mutual Limited shares and qualify for dividends over the vesting period.

Statement of voting on the Directors' Remuneration Report at the Annual General Meeting

During the Annual General Meeting held on 25 June 2020, voting was carried out through electronic means to approve the Directors' Remuneration Report with the following results published:

Agenda	Vote	Total votes	As a % of the total votes cast
To approve the directors' 2019 remuneration report for the year ended 31 December 2019 as provided for in the Financial Statements	For	184,178,080	99.36%
	Against	1,194,957	0.64%
	Abstained	0	0.00%
Total		185,373,037	100.00%

Information subject to audit

For the financial year ended 31 December 2020, the consolidated directors' fees and remuneration was KShs 182m (2019: KShs 191m) and company director fees were KShs 98m (2019: KShs 65m) as detailed below:

KSh '000	Note	Group		Company	
		2020	2019	2020	2019
Non-executive directors' fees		104,689	110,222	26,343	26,225
Executive directors' remuneration		77,018	81,189	77,018	39,137
Total directors' remuneration	43 (vii)	181,707	191,411	103,361	65,362

DIRECTORS' REMUNERATION REPORT (Continued)

Information subject to audit

Non-executive Directors' remuneration for the year ended 31 December 2020

KShs '000	2020			2019		
	Annual retainer	Sitting allowance	Total	Annual retainer	Sitting allowance	Total
Dr. JB Wanjui	4,815	-	4,815	4,815	-	4,815
Michael J Harper	1,835	690	2,525	1,835	470	2,305
James Mugujiyi	1,656	670	2,326	1,835	480	2,315
Vincent Rague	1,835	690	2,525	1,731	360	2,091
Susan Omanga	1,835	640	2,475	1,835	420	2,255
Robert Mbugua	1,835	560	2,395	1,835	520	2,355
George Maina	1,835	720	2,555	1,731	570	2,301
Joseph Wanjui	-	290	290	-	210	210
Maria Shipiri	1,019	220	1,239	-	-	-
Dr. Peter Muthoka**	-	-	-	918	40	958
Paul Truyens**	-	-	-	836	330	1,166
Dr. Catherine Adeya	-	-	-	-	-	-
Shailesh Devchand*	-	-	-	-	-	-
Richard Treagus*	-	-	-	-	-	-
Clement Chinaka*	-	-	-	-	-	-
	16,665	4,480	21,145	17,371	3,400	20,771

*No fees are paid to these directors who represented Old Mutual Limited on the board of directors in the year under review as they hold contracts of service in their respective jurisdictions.

**retired in 2019 and fees only included as part of consolidation and comparison.

In 2020, three (3) additional directors were appointed to the board, one of whom does not earn a fee (Mr. Chinaka), while Ms. Shipiri was appointed in May thereby earning a pro-rata fee for her tenure, whereas Dr. Adeya was appointed at the end of the year. The net effect of these changes was a slight reduction of about 4% in 2020 when compared to 2019.

There was an increase in the sitting allowances paid in 2020 following the convening of additional special board and committee meetings in H1 to consider the leadership transition as well as the arrangements for the first virtual general meeting of the company.

DIRECTORS' REMUNERATION REPORT (Continued)

Information subject to audit

Executive Directors' remuneration for the year ended 31 December 2020

KShs '000	Peter Mwangi		Arthur Oginga	
	2020	2019	2020	2019
Salaries and allowances	31,234	27,213	30,972	-
Retirement funding	836	2,693	2	-
Deferred Short term incentive payments	1,375	-	-	-
Long term incentive payments	11,653	7,385	-	-
Qualifying dividends	944	1,846	-	-
Other	-	-	-	-
	46,042	39,137	30,974	-

The remuneration report set out on pages 87 – 90 was approved and authorized for issue by the Board of Directors on 29th April 2021.

By Order of The Board

Vincent Rague
Chairman - Remuneration, Nominations
and Corporate Governance Committee



Date: 29th April 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation and presentation of the consolidated and separate financial statements of UAP Holdings PLC set out on pages 100 to 199 which comprise the consolidated and company statements of financial position as at 31 December 2020, and the consolidated and company statements of profit or loss, consolidated and company statements of other comprehensive income, consolidated and company statements of changes in equity and consolidated and company statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

The Directors' responsibilities include: determining that the basis of accounting described in note 2 is an acceptable basis for preparing and presenting the financial statements in the circumstances, preparation and presentation of financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Under the Kenyan Companies Act, 2015, the Directors are required to prepare financial statements for each financial period which give a true and fair view of the financial position of the Group and Company as at the end of the financial period and of the profit or loss of the Group and Company for that period. It also requires the directors to ensure the Company and its subsidiaries keeps proper accounting records which disclose with reasonable accuracy the financial position of the Group and Company.

The directors accept responsibility for the annual consolidated and separate financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. The directors are of the opinion that the consolidated and separate financial statements give a true and fair view of the financial position of the Group and Company and of the consolidated and separate profit or loss.

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

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

Approval of the financial statements

The financial statements, as indicated above, were approved and authorised for issue by The Board of Directors on 29th April 2021.



Dr JB Wanjui CBS

Chairman



Michael J Harper

Deputy Chairman

Date: 29th April 2021



75
YEARS
IN AFRICA

100
YEARS
IN EAST
AFRICA



75 YEARS OF
HELPING YOU SET YOUR GOALS



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UAP HOLDINGS PLC

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of UAP Holdings Plc (the "Group and Company") set out on pages 100 to 199, which comprise the consolidated and company statements of financial position as at 31 December 2020, and the consolidated and company statements of profit or loss, consolidated and company statements of other comprehensive income, consolidated and company statements of changes in equity and consolidated and company statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of UAP Holdings Plc as at 31 December 2020, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Kenyan Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including international independence standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Short term insurance contract liabilities (applicable to the consolidated financial statements) (Continued)	
See note 2(c)(ii), 3(ii) and 27 to the financial statements	
The key audit matter	How the matter was addressed in our audit
Short term insurance contract liabilities constitute a significant portion of the Group's total liabilities. Valuation of these liabilities is highly judgmental, and requires a number of assumptions to be made that have high estimation uncertainty.	Our audit procedures in this area included: <ul style="list-style-type: none"> Obtaining an understanding of the processes, systems and applications used in determination of insurance contract liabilities. This included assessing the design and operating effectiveness of key controls around the claims handling and reserve setting processes of the Group;



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UAP HOLDINGS PLC (Continued)

Report on the audit of consolidated and separate financial statements (Continued)

Key audit matters (Continued)

Short term insurance contract liabilities (applicable to the consolidated financial statements) (Continued)	
See note 2(c)(ii), 3(ii) and 27 to the financial statements	
The key audit matter	How the matter was addressed in our audit
<p>This is particularly the case for those liabilities that are recognised in respect of claims that have occurred, but have not yet been reported to the Group (incurred but not reported (IBNR)). Small changes in the assumptions used to value the liabilities, particularly those relating to the amount and timing of future claims, can lead to material impacts on the valuation of insurance liabilities.</p> <p>The key assumptions that drive the reserving calculations (determination of insurance contract liabilities) include loss ratios, claim expense assumptions and claim development factors. The valuation of insurance contract liabilities depends on accurate data about the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims. If the data used in calculating insurance liabilities, or for forming judgments over key assumptions, is not complete and accurate then material impacts on the valuation of insurance liabilities may arise.</p> <p>We have determined the valuation of insurance contract liabilities to be a key audit matter due to the significant judgements and high estimation uncertainty.</p>	<ul style="list-style-type: none"> Inspecting claims received and claims paid immediately after 31 December 2020 to assess whether there were any unrecorded insurance contract liabilities at the end of the period Inspecting claims received and claims paid immediately after 31 December 2020 to assess whether there were any unrecorded insurance contract liabilities at the end of the period; Obtaining samples of outstanding claims reserves and comparing the estimated amount of the reserve to reports from loss adjusters; Re-performing reconciliations between the data recorded in the financial systems and the data used in the actuarial reserving calculations including selecting a sample of the data and comparing to the policy documents to ensure its complete and accurate; Evaluating the appropriateness of management's liability adequacy testing by assessing the historical incurred but not reported (IBNR) sufficiency as well as the Unexpired Risk Reserve through performing an actual vs expected analysis on prior years' reserves for any surpluses or shortfalls; Using our internal actuarial specialists to assist us in assessing the appropriateness of the methodology and the reasonableness of the assumptions used by management in the estimation of reserves at 31 December 2020; and; Evaluating the adequacy of disclosures in the financial statements including disclosures of key estimates and judgements on insurance contract liabilities.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UAP HOLDINGS PLC (Continued)

Report on the audit of consolidated and separate financial statements (Continued)

Key audit matters (Continued)

Long term insurance contract liabilities and Payables under deposit administration contracts (applicable to the consolidated financial statements)	
See note, 2(c)(i), 3(i), 27 and 28 to the financial statements	
The key audit matter	How the matter was addressed in our audit
<p>The Group has significant long term insurance contract liabilities and deposit administration liabilities representing a significant portion of the Group's total liabilities. This is an area that involves significant judgement over uncertain future outcomes, mainly the ultimate total settlement value of policyholder liabilities.</p> <p>Economic and non-economic assumptions, such as investment returns, discount rate, mortality and persistency, expenses and expense inflation and withdrawals are the key inputs used to estimate these insurance contract liabilities.</p> <p>Economic and operating assumptions, such as investment returns, mortality and persistency (including consideration of policyholder behaviour), expenses and expense inflation, withdrawals and sensitivity analysis are the key inputs used to estimate these long-term liabilities.</p> <p>The assumptions to be made have high estimation uncertainty and changes in the estimates may lead to material impact on the valuation of the liabilities. The valuation also depends on accurate data from the information systems. If the data used is not complete and accurate then material impacts on the valuation of policyholder liabilities may also arise.</p> <p>As a result of the significant judgement and assumptions above, we determined insurance contract liabilities and Payables under deposit administration contracts to be a key audit matter.</p>	<p>Our audit procedures in this area included:</p> <ul style="list-style-type: none"> — Using our internal actuarial specialists to assist us in assessing the appropriateness of the methodology and comparing the assumptions used to determine insurance contract liabilities and Payables under deposit administration contracts, by validating the reasonableness of the economic assumptions to market observable data and non-economic assumptions against the Company's historical experience, current trends and our own industry knowledge; — Obtaining an understanding of the processes, systems and applications used in determination of insurance contract liabilities and Payables under deposit administration contracts. This included assessing the design and operating effectiveness of controls over the overall Company reserving process and actuarial valuations; — Evaluating the reasonableness of management's liability adequacy testing by reviewing the actual vs expected analysis on prior years' reserves and analysis of surplus for any shortfalls or surpluses; — Re-performing reconciliations between the data recorded in the financial systems and the data used in the actuarial reserving calculations including selecting a sample of the data and comparing to the policy documents to ensure its complete and accurate; and — Evaluating the adequacy of the Group's disclosures in relation to the key assumptions, judgements and sensitivities used in the calculation of insurance contract liabilities.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UAP HOLDINGS PLC (Continued)

Report on the audit of the consolidated and separate financial statements (Continued)

Key audit matters (Continued)

Valuation of investment properties (applicable to the consolidated and separate financial statements)	
See note 2(g) and 17 to the financial statements	
The key audit matter	How the matter was addressed in our audit
<p>The Group and Company own investment properties which represent a significant component of the consolidated and Company statements of financial position as at 31 December 2020. These investment properties are stated at their fair values based on independent external valuations.</p> <p>Valuation of investment properties is considered a key audit matter because the valuation process involves significant judgment in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied in deriving at the capitalisation, discount and terminal yield rates and a small change in the assumptions can have a significant impact to the valuation.</p>	<p>Our audit procedures in this area included:</p> <ul style="list-style-type: none"> — Evaluating the qualifications and competence of the external valuers and reading the terms of engagement of the valuers to determine whether there were any matters that might affect their objectivity or limited the scope of their work; — Evaluating the adequacy of the disclosures in the consolidated and separate financial statements, including disclosures of the inherent degree of subjectivity and key assumptions in the estimates; — Evaluating the integrity of inputs of the projected cash flows used in the valuation to supporting lease contracts and other documents; and — Challenging the rate of return, discount and terminal yield rates used in the valuation by comparing them against available industry data, taking into consideration comparability and market factors and , holding discussions with the appointed valuers.

Other information

The Directors are responsible for the other information. The other information comprises the *Corporate Information, Directors' Report, Directors' Remuneration Report and Statement of Directors' Responsibilities* (but does not include the consolidated and separate financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other information to be included in the *UAP Holdings Plc Annual Report and Financial Statements for the year ended 31 December 2020*, which is expected to be made available to us after that date.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UAP HOLDINGS PLC (Continued)

Report on the audit of the consolidated and separate financial statements (Continued)

Directors' responsibility for the consolidated and separate financial statements

The Directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Kenyan Companies Act, 2015 and for such internal control, as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UAP HOLDINGS PLC (Continued)

Report on the audit of the consolidated and separate financial statements (Continued)

Auditor's responsibilities for the audit of the consolidated and separate financial statements (Continued)

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by the Kenyan Companies Act, 2015, we report to you based on our audit that in our opinion, the information in the directors' report on pages 84 to 86 is consistent with the consolidated and separate financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Alexander Mbai Practicing Certificate No 2172.

For and on behalf of KPMG Kenya

KPMG Kenya
Certified Public Accountants
PO Box 40612 – 00100
Nairobi

Date: 29 April 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (For the year ended December 31 2020)

KShs '000	Note	2020	2019
			*Restated
Gross written premium	5 (b) (i)	20,482,282	18,822,265
Gross earned premium	5 (b) (i)	20,033,778	19,339,103
Reinsurance ceded	5 (b) (ii)	(3,582,861)	(3,231,721)
Net earned premium		16,450,917	16,107,382
Investment income	6 (a)	4,128,929	3,681,547
Fair value losses	6 (a)	(296,297)	(3,047,683)
Net Investment Income	6 (a)	3,832,632	633,864
Commissions earned	5 (b) (iii)	1,001,452	748,206
Other income	7 (a)	16,763	136,816
Net impairment release/(provision) on financial assets	4 (b) (iv)	165,113	169,602
Total income		21,466,877	17,795,870
Claims and policy owners' benefits payable	8	(14,446,255)	(13,191,926)
Less: Amount recoverable from reinsurers	5 (b) (ii)	2,998,368	1,580,945
Net claims payable		(11,447,887)	(11,610,981)
Operating and other expenses	9 (a)	(7,404,884)	(5,981,547)
Commissions payable	5 (b) (iii)	(2,361,937)	(2,143,159)
Total expenses and commissions		(9,766,821)	(8,124,706)
Finance costs - interest on borrowings	31 (a)	(1,146,368)	(1,229,538)
Finance costs - leases	44 (b)	(153,786)	(59,620)
Loss before tax		(1,047,985)	(3,228,975)
Income tax expense	11 (a)	(264,454)	(260,566)
Loss for the year		(1,312,439)	(3,489,541)
Loss attributable to:			
Owners of the parent		(1,094,167)	(3,137,376)
Non-controlling interest	45	(218,272)	(352,165)
Loss for the year		(1,312,439)	(3,489,541)
Basic and diluted EPS (KShs)	13	(5.17)	(14.84)

The notes on pages 110 to 199 are an integral part of these financial statements.

* See note 46

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME (For the year ended December 31 2020)

KShs '000	Note	2020	2019
			*Restated
Loss for the year		(1,312,439)	(3,489,541)
Other comprehensive income that will be recycled to profit or loss:			
Exchange differences on translating foreign operations		412,064	(23,475)
Total items that will be recycled to profit or loss		412,064	(23,475)
Items that will not be recycled to profit or loss:			
Remeasurement of retirement benefit obligations	26	6,363	5,192
Gains/(Losses) on revaluation of property & equipment	15 (a)	122,004	(25,751)
Related deferred tax	12 (a)	(25,009)	-
Total items that will not be recycled to profit or loss		103,358	(20,559)
Total other comprehensive income for the year, net of tax		515,422	(44,034)
Total comprehensive income for the year		(797,017)	(3,533,575)
Total comprehensive income attributable to:			
Owners of the parent		(666,885)	(3,189,915)
Non-controlling interests	45	(130,132)	(343,660)
Total comprehensive income		(797,017)	(3,533,575)

The notes on pages 110 to 199 are an integral part of these financial statements.

* See note 46

COMPANY STATEMENT OF PROFIT OR LOSS (For the year ended December 31 2020)

KShs '000	Note	2020	2019
Investment income	6 (b)	1,448,438	2,051,075
Less: Fair value impairments	6 (b)	(30,242)	(1,272,670)
Net investment income		1,418,196	778,405
Other income	7 (b)	1,057,771	1,193,026
Net impairment release on financial assets	4 (b) (iv)	(8,988)	4,518
Total income		2,466,979	1,975,949
Operating and other expenses	9 (b)	(3,437,728)	(1,636,264)
Finance costs - interest on borrowings	31 (b)	(1,041,707)	(1,166,265)
Finance costs - leases	44 (d)	(4,233)	(4,243)
Loss before tax		(2,016,689)	(830,823)
Income tax credit/(charge)	11 (b)	170,402	(14,896)
Loss for the year		(1,846,287)	(845,719)

The notes on pages 110 to 199 are an integral part of these financial statements.

COMPANY STATEMENT OF OTHER COMPREHENSIVE INCOME (For the year ended December 31 2020)

KShs '000	Note	2020	2019
Loss for the year		(1,846,287)	(845,719)
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		(1,846,287)	(845,719)

The notes on pages 110 to 199 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (As at December 31 2020)

KShs'000	Note	2020	2019	2018
Assets			Restated*	Restated*
Goodwill and other intangible assets	14 (a)	184,872	251,202	166,295
Property and equipment	15 (a)	2,224,641	2,322,563	2,716,812
Right of use assets	16 (a)	497,694	486,099	-
Investment properties	17 (a)	16,458,648	16,012,712	19,756,714
Deferred tax assets	12 (a)	1,308,760	1,109,575	1,049,551
Equity investments	19	1,720,414	4,035,923	3,293,090
Deferred acquisition costs	20	492,699	453,859	445,985
Reinsurers share of policyholder liabilities	21	4,796,343	3,001,085	3,276,959
Loans and advances	22	286,408	313,149	306,412
Current income tax recoverable	11 (a)	197,240	233,384	145,854
Receivables arising from direct insurance arrangements	4 (b) (iv)	1,596,639	1,452,956	1,850,411
Receivables arising from reinsurance arrangements	4 (b) (iv)	1,174,377	1,342,007	1,294,978
Other receivables	23 (a)	1,498,446	1,082,297	2,060,149
Amounts due from related parties	43 (v)	333,856	245,936	17,165
Investments and government securities	24	19,826,386	16,573,945	15,697,451
Cash and cash equivalents	25 (a)	10,861,699	7,923,915	6,598,237
Total assets		63,459,122	56,840,607	58,676,063
Liabilities				
Insurance contract liabilities	27	17,449,087	13,746,305	12,370,988
Payables under deposit administration contracts	28	5,112,971	4,940,271	4,441,210
Unit linked investment contracts	29	599,240	828,256	859,754
Borrowed funds	31 (a)	13,066,330	11,412,672	11,098,307
Lease liabilities	44	539,968	506,392	-
Unearned premiums	32	7,135,906	6,490,536	7,021,818
Deferred tax liabilities	12 (a)	525,146	685,637	853,100
Current income tax payable	11 (a)	102,041	117,057	-
Creditors from reinsurance arrangements	33	1,196,185	1,057,647	1,175,563
Other payables	34 (a)	4,333,476	2,805,685	2,974,392
Amounts due to related parties	43 (iv)	124	27,168	95,849
Dividends payable	35	415,770	443,086	473,103
Total liabilities		50,476,244	43,060,712	41,364,084
Net assets		12,982,878	13,779,895	17,311,979
Shareholders' equity				
Share capital	36	1,058,590	1,058,590	1,057,099
Share premium	36	4,612,626	4,612,626	4,612,626
Retained earnings	37	5,878,397	6,744,253	10,289,265
Fair value reserve for equity investments	38	513	513	513
Translation reserve	39 (i)	121,684	(202,240)	(170,260)
Statutory reserve	39 (ii)	206,894	446,287	33,459
Contingency reserve	39 (iii)	444,618	415,542	415,542
Revaluation surplus	39 (iv)	139,677	42,682	68,433
Shareholders' funds		12,462,999	13,118,253	16,306,677
Non-controlling interest	45	519,879	661,642	1,005,302
Total equity		12,982,878	13,779,895	17,311,979

* See note 46

The financial statements on pages 100 to 199 were approved and authorized for issue by The Board of directors on 29th April 2021.



Dr JB Wanjui CBS
Chairman



Michael J Harper
Deputy Chairman

The notes on pages 110 to 199 are an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION (As at December 31 2020)

KShs'000	Note	2020	2019
Assets			
Intangible assets	14 (b)	114,087	177,938
Property and equipment	15 (b)	113,374	185,563
Right of use assets	16 (b)	32,203	37,014
Investment properties	17 (b)	5,802,793	5,788,497
Investment in subsidiaries	18	5,977,098	5,522,655
Deferred tax asset	12 (b)	677,427	507,025
Current income tax recoverable	11 (b)	134,843	93,373
Amounts due from related parties	43 (v)	3,176,572	4,345,252
Other receivables	23 (b)	1,031,794	1,380,976
Cash and cash equivalents	25 (b)	381,819	94,160
Total assets		17,442,010	18,132,453
Liabilities			
Borrowed funds	31 (b)	11,099,943	10,463,883
Amounts due to related parties	43 (iv)	202,165	626,247
Lease Liabilities	44	36,339	39,112
Other payables	34 (b)	1,599,269	625,314
Dividends payable	35	415,770	443,086
Total liabilities		13,353,486	12,197,642
Net assets		4,088,524	5,934,811
Shareholders' equity			
Share capital	36	1,058,590	1,058,590
Share premium	36	4,612,626	4,612,626
Retained earnings	37	(1,582,692)	263,595
Total equity		4,088,524	5,934,811

The financial statements on pages 100 to 199 were approved and authorised for issue by The Board of directors on 29th April 2021.

Dr JB Wanjui CBS
Chairman

Michael J Harper
Deputy Chairman

The notes on pages 110 to 199 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (For the year ended December 31 2020)

For the year ended December 31 2020	KShs '000	Notes	Attributable to owners of the parent							Total equity		
			Share capital & Share premium	Fair value reserves	Retained earnings	Proposed dividends	Translation reserves	Statutory reserve*	Contingency reserve		Revaluation surplus	Non-controlling interest
Balance as at 1 January 2020	5,671,216		513	6,744,253	-	(202,240)	453,728	415,542	42,682	13,125,694	661,642	13,787,336
Impact of correction*												
Related deferred tax							7,441			(7,441)		(7,441)
Restated balance as at 1 January 2020	5,671,216		513	6,744,253	(854,774)	(202,240)	446,287	415,542	42,682	13,118,253	661,642	13,779,247
Loss for the year							(239,393)			(1,094,167)	(218,272)	(1,312,439)
Other comprehensive income												
Re-measurement of retirement benefit obligations		26		6,363						6,363		6,363
Gain on revaluation of Property & Equipment net of tax		15(a)							96,995	96,995		96,995
Currency translation differences										323,924	88,140	412,064
Total other comprehensive income for the year				6,363					96,995	427,282	88,140	515,422
Total comprehensive income for the year				(848,411)			(239,393)		96,995	(666,885)	(130,132)	(797,017)
Transfer to statutory reserve				(17,445)				29,076		11,631	(11,631)	
Transactions with owners		36										
Issue of shares												
Balance at 31 December 2020	5,671,216		513	5,878,397	-	121,684	206,894	444,618	139,677	12,462,999	519,879	12,982,878

* See note 46

*The statutory reserve relates to the unappropriated life fund surplus/(deficit) net of the corresponding deferred tax.

The notes on page 110 to 199 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (For the year ended December 31 2020)
(Continued)

Attributable to owners of the parent

For the year ended December 31 2019	Share capital & Share premium	Fair value reserves	Retained earnings	Proposed dividends	Translation reserves	Statutory reserve*	Contingency reserve	Revaluation surplus	Total controlling interest	Non-controlling interest	Total equity
Balance as at 1 January 2019	5,669,725	513	10,206,124	-	(170,260)	-	415,542	68,433	16,190,077	1,005,302	17,195,379
Impact of corrections											
Reclassification of errors	-	-	(262,103)	-	-	262,103	-	-	-	-	-
Split of reserves	-	-	345,244	-	(345,244)	-	-	-	-	-	-
Related deferred tax	-	-	-	-	-	116,600	-	-	-	-	116,600
Restated balance as at 1 January 2019	5,669,725	513	10,289,265	-	(170,260)	33,459	415,542	68,433	16,306,677	1,005,302	17,311,979
Loss for the year	-	-	(3,550,852)	-	-	412,828	-	-	(3,138,024)	(352,165)	(3,490,189)
Other comprehensive income											
Re-measurement of retirement benefit obligations	-	-	5,192	-	-	-	-	(25,751)	(25,751)	-	5,192
Loss on revaluation of Property & Equipment	-	-	-	-	-	-	-	-	-	-	(25,751)
Currency translation differences	-	-	-	-	(31,980)	-	-	-	(31,980)	8,505	(23,475)
Total other comprehensive income for the year	-	-	5,192	-	(31,980)	-	-	(25,751)	(52,539)	8,505	(44,034)
Total comprehensive income for the year	-	-	(3,545,012)	-	(31,980)	412,828	-	(25,751)	(3,189,915)	(343,660)	(3,533,575)
Transactions with owners	1,491	-	-	-	-	-	-	-	1,491	-	1,491
Issue of shares	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2019	5,671,216	513	6,744,253	-	(202,240)	446,287	415,542	42,682	13,118,253	661,642	13,779,895

* See note 46

*The statutory reserve relates to the unappropriated life fund surplus/(deficit) net of the corresponding deferred tax.

The notes on pages 110 to 199 are an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY (for the year ended 31 December 2020)

KShs '000	Notes	Share capital & Share premium	Retained Earnings	Total
For the year ended 31 December 2020:				
Balance at at 1 January 2020		5,671,216	263,595	5,934,811
Loss for the year		-	(1,846,287)	(1,846,287)
Other comprehensive income		-	-	-
Total comprehensive income for the year		5,671,216	(1,582,692)	4,088,524
Transactions with owners				
Issue of Shares	36	-	-	-
Balance at 31 December 2020		5,671,216	(1,582,692)	4,088,524
For the year ended 31 December 2019:				
Balance as at 1 January 2019		5,669,725	1,109,314	6,779,039
Loss for the year		-	(845,719)	(845,719)
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	(845,719)	(845,719)
Transactions with owners				
Issue of Shares	36	1,491	-	1,491
Balance at 31 December 2019		5,671,216	263,595	5,934,811

The notes on pages 110 to 199 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (for the year ended 31 December 2020)

	Note	2020 KShs'000	2019 KShs'000
Cash flow from operating activities			
Cash generated from operations	40(a)	773,992	1,198,715
Tax paid	11(a)	(648,064)	(463,398)
Net cash generated from/(used in) operating activities		125,928	735,317
Cash flow from investing activities			
Purchase of intangible assets	14(a)	(13,473)	(144,038)
Purchase of property and equipment	15(a)	(139,777)	(339,929)
Additions to investment properties	17(a)	-	(347,784)
Purchase of equity investments	19(b)	(56,679)	(195,739)
New staff loans advanced	22	(79,766)	(54,034)
Staff loans repaid	22	107,976	47,215
Proceeds from sale of equity investments	19(a)	1,742,226	198,365
Net redemption of corporate bonds	24(a)	165,146	661,365
Net purchase of government securities	24(b)	(3,438,326)	(1,914,873)
Proceeds from disposal of fixed assets		1,004	3,021
Rent, interest and dividends received	6(a)	4,279,525	3,730,958
Net cash generated from investing activities		2,567,856	1,644,527
Cash flow from financing activities			
Additional/(Settlement) of borrowings	31(a)	404,273	(910,663)
Payment of lease liability	44	(132,957)	(113,486)
Dividends paid	35	(27,316)	(30,017)
Net cash generated from/(used in) financing activities		244,000	(1,054,166)
Increase in cash and cash equivalents		2,937,784	1,325,678
Movement in cash and cash equivalents			
At 1 January		7,923,915	6,598,237
Increase during the year		2,937,784	1,325,678
At 31 December	25	10,861,699	7,923,915

The notes on pages 110 to 199 are an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS (for the year ended 31 December 2020)

KShs '000	Notes	2020	2019
Cash flow from operating activities			
Cash generated from operations	40(b)	(644,641)	(1,169,609)
Tax paid	11(b)	(41,470)	(50,458)
Net cash used in operating activities		(686,111)	(1,220,067)
Cash flow from investing activities			
Purchase of intangible assets	14(b)	(11,230)	(139,981)
Purchase of property and equipment	15(b)	(11,456)	(99,901)
Transfer of property from/(to) related party	15(b)	(8,651)	-
Investments in subsidiaries	18	-	(306,287)
Proceeds on sale of property and equipment		44	-
Rent, interest and dividends received	6(b)	1,443,729	2,020,804
Net cash generated from investing activities		1,412,436	1,474,635
Cash flow from financing activities			
Net proceeds from borrowings	31(b)	(405,647)	(589,490)
Payment of lease liabilities	44(d)	(5,703)	(5,198)
Dividends paid	35	(27,316)	(30,017)
Proceeds from issue of shares	36	-	1,491
Net cash used in financing activities		(438,666)	(623,214)
Decrease in cash and cash equivalents		287,659	(368,646)
Movement in cash and cash equivalents			
At 1 January		94,160	462,806
Decrease during the year		287,659	(368,646)
At 31 December	25	381,819	94,160

The notes on pages 110 to 199 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 General information

The Company is incorporated in Kenya under the Kenyan Companies Act, 2015 as a limited liability company, and is domiciled in Kenya. The address of its registered office is UAP Old Mutual Tower, Upper Hill Road, P.O. Box 43013 -00100 Nairobi. The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group"). The separate financial statements relate to the unconsolidated financial statements of the Company.

The Company has seven subsidiaries that operate as insurance companies in Kenya, Uganda, Tanzania, Rwanda and South Sudan with two property companies in Uganda and South Sudan. Four of the Company's insurance subsidiaries are short term including health insurance companies, two are long term ("life") insurance companies 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 insurance business relates to all other categories of insurance business, analysed into several sub-classes of business based on the nature of the assumed risks. The Group also holds investments in UAP Financial Services Limited Uganda that provides stock broking services and fund management services. UAP Properties (Uganda) Limited and UAP Properties (South Sudan) Limited are property holding companies for Nakawa Business Park and Equatoria Towers which are located in Kampala and South Sudan respectively. In 2017, UAP Investments Kenya ceased its operations in stock brokerage and fund management and is currently a dormant entity.

2 Summary of significant accounting policies

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

(a) Basis of Preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRSs) and in the manner required by the Kenyan Companies Act, 2015. For the Kenyan Companies Act, 2015 reporting purposes, in these financial statements the balance sheet is represented by/is equivalent to the statement of financial position and the profit and loss account is presented in the statement of profit or loss and other comprehensive income.

(i) Basis of measurement

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below.

For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the company uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the company using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g., by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Fair values are categorised into three levels of fair value hierarchy based on the degree to which the inputs to the measurements are observable and the significance of the inputs to the fair value measurement in its entirety. See note 4(d).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Summary of significant accounting policies (continued)

(a) Basis of Preparation (continued)

(ii) Use of judgements and estimates

In preparing these financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

A. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Note 2 (d) – Revenue recognition: whether revenue is recognised over time or at a point in time;
- Note 2 (r) – Consolidation: whether the Group has de facto control over an investee; and
- Note 2 (v) – Lease term: whether the Group is reasonably certain to exercise extension options.

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 December 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 2 (d) – Revenue recognition: estimate of expected returns;
- Note 26 – measurement of defined benefit obligations: key actuarial assumptions;
- Note 12 – recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised;
- Note 14 – impairment test of intangible assets and goodwill; key assumptions underlying recoverable amounts, including the recoverability of development costs;
- Note 41 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources; and
- Note 4 (b) – measurement of ECL allowance for trade and receivables and contract assets: key assumptions in determining the weighted-average loss rate.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a review of all significant fair value measurements, including the assumptions and estimations made and this has direct oversight by the Group Chief Finance Officer.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information is required, such as information from property valuers or market information obtained through our asset management team, Old Mutual Investment Group, then management assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the Standards, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Group's audit committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in the valuation techniques as follows.

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Summary of significant accounting policies (continued)

(a) Basis of Preparation (continued)

the fair value hierarchy at the end of the reporting period during which the change has occurred. Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 17 – investment properties; and
- Note 2 (j) – financial instruments.

(iii) Statement of compliance

For Kenyan Companies Act, 2015 reporting purposes in these financial statements, the balance sheet is represented by the statement of financial position and the profit and loss account is presented in the statement of profit or loss to these financial statements.

(iv) Going concern

As at 31 December 2020, the Group and Company incurred a net loss after tax of KShs 1,312m and KShs 1,846m respectively (2019: Net loss of KShs 3,490m and KShs 846m respectively) and as of that date the Group's and Company's total assets exceeded total liabilities by KShs 12,983m and KShs 4,089m (2019: total assets of the Group and Company exceeded total liabilities by KShs 13,780m and KShs 5,935m respectively). The loss in 2020 is largely attributable to mark to market movements on the asset portfolios. As markets recover, the directors expect that these losses will be recouped.

The business also has a KShs 2.2bn facility from Stanbic Bank and KShs 5.8bn loan from Old Mutual Holdings Limited set to mature in January 2021.

The directors and shareholders have instituted the following measures:

- By mutual agreement with the directors of Old Mutual Holdings Limited, the maturity date of the loans maturing in January 2021 totalling KShs 5.8bn have been extended to 2022 as the directors make arrangements to settle the loan.
- Put in place arrangements to refinance the maturing balance of the Stanbic bank loan. These negotiations include discussions with its bankers and the ultimate parent. This refinancing arrangement was concluded after year end in February 2021. The new Facility is for a term of 3 years.
- Part of the loan from Old Mutual Holdings Limited is subordinated to other creditors

The directors, having taken into account the initiatives above and information at hand and on the strength of the actions above, are of the opinion that the Group and Company will be a going concern in the subsequent financial period and that the going concern assumption is appropriate in the preparation of these consolidated and separate financial statements.

The consolidated and separate financial statements have therefore been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Summary of significant accounting policies (continued)

(b) Changes to standards and new interpretations effective in the year 2020

(i) New standards, amendments and interpretation effective and adopted during the year by the Group and Company

The Group and Company adopted the following new standards and amendments during the year ended 31 December 2020, including consequential amendments to other standards with the date of initial application by the Group and Company being 1 January 2020. The nature and effects of the changes are explained below:

New standard or amendments	Effective for annual periods beginning on or after
Amendments to References to conceptual Framework in IFRS Standards	1st January 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	1st January 2020
Definition of a Business (Amendments to IFRS 3)	1st January 2020
Interest Rate Benchmark Reform (Amendments to IFRS9, IAS 39 and IFRS 7)	1st January 2020

Amendments to references to the conceptual framework in IFRS Standards

This amendment sets out amendments to IFRS Standards (Standards), their accompanying documents and IFRS practice statements to reflect the issue of the International Accounting Standards Board (IASB) revised Conceptual Framework for Financial Reporting in 2019 (2019 Conceptual Framework).

Some Standards, their accompanying documents and IFRS practice statements contain references to, or quotations from, the IASB's Framework for the Preparation and Presentation of Financial Statements adopted by the IASB in 2001 (Framework) or the Conceptual Framework for Financial Reporting issued in 2010. Amendments to References to the Conceptual Framework in IFRS Standards updates some of those references and quotations so that they refer to the 2019 Conceptual Framework and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents. These amendments are based on proposals in the Exposure Draft Updating References to the Conceptual Framework, published in 2015, and amend Standards, their accompanying documents and IFRS practice statements that will be effective for annual reporting periods beginning on or after 1 January 2020.

The adoption of these changes did not significantly affect the amounts and disclosures of the Group's financial statements.

IAS 1 and IAS 8 Definition of material

The amendment refines the definition of Material to make it easier to understand and aligning the definition across IFRS Standards and the Conceptual Framework.

The amendment includes the concept of 'obscuring' to the definition, alongside the existing references to 'omitting' and 'misstating'. Additionally, the amendments also add the increased threshold of 'could influence' to 'could reasonably be expected to influence' as below. "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

However, the amendment has also removed the definition of material omissions or misstatements from

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Summary of significant accounting policies (continued)

(b) Changes to standards and new interpretations effective in the year 2020 (continued)

(i) New standards, amendments and interpretation effective and adopted during the year by the Group and Company (continued)

IAS 1 and IAS 8 Definition of material(continued)

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The new standard was effective for annual periods beginning or after 1 January 2020. The adoption of the Standard did not have a significant impact on the financial statements of the Group.

IFRS 3 Definition of a business

With a broad business definition, determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. These amendments to IFRS 3 Business Combinations seek to clarify this matter as below however complexities still remain.

• Optional concentration test

The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets.

• Substantive process

If an entity chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process.

The definition of a business is now narrower and could result in fewer business combinations being recognised.

The amendment applies to businesses acquired in annual reporting periods beginning on or after 1st January 2020. Earlier application is permitted. The adoption of this standard did not have an impact on the financial statements of the Group.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

Interest Rate Benchmark Reform, also known as IBOR (interbank offered rates) reform, refers to the replacement of interest rate benchmarks (such as LIBOR) with alternative risk-free rates. This is in response to concerns over the reliability of current interest rate benchmarks.

In phase 1 of its project addressing the accounting implications of IBOR reform, the IASB has issued amendments to IFRS 9, IAS 39 and IFRS 7 to address uncertainties leading up to the replacement of IBORs (pre-replacement issues).

The uncertainties could lead to the discontinuation of hedge accounting, for example, because forecast LIBOR based cash flows may no longer be considered highly probable. This could lead to significant profit and loss effects. The amendments provide targeted relief for financial instruments qualifying for hedge accounting and mean that companies will not discontinue hedge accounting, for example, if the LIBOR based cash flows are not considered highly probable as a direct consequence of the IBOR reform. A company will not have to discontinue its hedge accounting if all of the hedging accounting conditions would otherwise be met.

Phase 1 amendments are mandatory and effective for accounting period beginning on or after 1 January 2020.

The adoption of these changes did not affect the amounts and disclosures of the Group's consolidated and separate financial statements.

(ii) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2020

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the year ended 31 December 2020 and have not been applied in preparing these financial statements.

The Group does not plan to adopt these standards early.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Summary of significant accounting policies (continued)

(b) Changes to standards and new interpretations effective in the year 2020 (continued)

(ii) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2020 (continued)

These are summarized below;

New standards	Effective for annual periods beginning on or after
COVID-19 Related Rent Concessions (Amendment to IFRS 16)	1 June 2020
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Annual Improvements to IFRS Standards 2018 – 2020	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Reference to Conceptual Framework (Amendments to IFRS 3)	1 January 2022
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023
Sale or contribution of assets between an investor and its associate or company (Amendments to IFRS 10 and IAS 28).	To be determined

These are further discussed below;

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. An entity shall apply IFRS 17 Insurance Contracts to:

- insurance contracts, including reinsurance contracts, it issues;
- reinsurance contracts it holds; and
- investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts

IFRS 17 requires an entity that issues insurance contracts to report them on the statement of financial position as the total of:

- (a) the fulfilment cash flows** – the current estimates of amounts that the entity expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those amounts; and

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Summary of significant accounting policies (continued)

(b) Changes to standards and new interpretations effective in the year 2020 (continued)

(ii) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2020 (continued)

IFRS 17 Insurance Contracts (continued)

(b) the contractual service margin – the expected profit for providing insurance coverage. The expected profit for providing insurance coverage is recognised in profit or loss over time as the insurance coverage is provided. IFRS 17 requires an entity to recognise profits as it delivers insurance services, rather than when it receives premiums, as well as to provide information about insurance contract profits that the Group expects to recognise in the future. IFRS 17 requires an entity to distinguish between groups of contracts expected to be profit making and groups of contracts expected to be loss making. Any expected losses arising from loss-making, or onerous, contracts are accounted for in profit or loss as soon as the Group determines that losses are expected.

IFRS 17 requires the entity to update the fulfilment cash flows at each reporting date, using current estimates of the amount, timing and uncertainty of cash flows and of discount rates. The entity:

- (a) accounts for changes to estimates of future cash flows from one reporting date to another either as an amount in profit or loss or as an adjustment to the expected profit for providing insurance coverage, depending on the type of change and the reason for it; and
- (b) chooses where to present the effects of some changes in discount rates—either in profit or loss or in other comprehensive income.

IFRS 17 also requires disclosures to enable users of financial statements to understand the amounts recognised in the entity's statement of financial position and statement of profit or loss and other comprehensive income, and to assess the risks the Group faces from issuing insurance contracts. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 is effective for financial periods commencing on or after 1 January 2022. An entity shall apply the standard retrospectively unless impracticable. A Group can choose to apply IFRS 17 before that

date, but only if it also applies IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

The adoption of these changes is expected to have a significant impact on the amounts and disclosures of the Group's financial statements. Management is currently evaluating the impact upon adoption of the standard.

Sale or contribution of assets between an investor and its associate or company (amendments to IFRS 10 and IAS 28)

The amendments require the full gain to be recognised when assets transferred between an investor and its associate or Group meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or Company is recognised. The definition of a business is key to determining the extent of the gain to be recognised.

The effective date for these changes has now been postponed until the completion of a broader review. The adoption of these changes will not significantly affect the amounts and disclosures of the Group and Company financial statements.

(c) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Summary of significant accounting policies (continued)

(c) Insurance contracts

Classification (continued)

(i) Long term insurance business (continued)

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 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 (Continued)

2 Summary of significant accounting policies (continued)

(c) 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 commission 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(k).

(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 (k).

(vii) Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Group may also have the right to pursue third parties for payment of some or all costs (for example, subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled.

The allowance is the amount that can reasonably be recovered from the disposal of the property.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Summary of significant accounting policies (continued)

(d) Revenue recognition

(i) Insurance premium revenue

The revenue recognition policy relating to insurance contracts is set out under note 2 (c) 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'.

(vii) Service income

Service income relates to recharges issued by the Holding Company to subsidiaries of the Group for the distribution of shared service costs.

(e) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Summary of significant accounting policies (continued)

(e) Investment contracts (continued)

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

(f) Property and equipment

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

Subsequent costs are included in the asset's carrying amount or 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:

- Motor vehicles – 5 years
- Computers & computer equipment – 3 years
- Office equipment – 5 years
- Furniture & fittings – 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.

With the introduction of IFRS 16: Leases, Right of Use depreciation is applied over the lease tenure using the straight-line method.

(g) Investment properties

Buildings, or part of a building, (freehold or held under a lease) and land (freehold or held under a 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 income statement.

On a consolidated basis, the business evaluated the proportion of the properties that are owner occupied and reclassified them to Property and Equipment as disclosed in note 15.

The Group evaluates the impairment for goodwill on an annual basis using the discounted cashflow method.

Any impairment is recognized in the statement of profit and loss.

(h) Intangible assets

The Group's intangible assets relate to computer software and goodwill (note 14).

Acquired computer software licenses 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;

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Summary of significant accounting policies (continued)

(h) Intangible assets (continued)

- 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 expenditure 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.

(i) 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.

(j) Financial Instruments

Recognition and de-recognition

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

Trade receivables and debt securities issued are initially recognised when they are originated. 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. Financial liabilities are recognised at amortised cost with the exception of unit-linked investment contracts which are measured at fair value.

Equity investments are carried at fair value. Gains and losses arising from changes in the fair value of equity investments are recognised in profit and loss and 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Summary of significant accounting policies (continued)

(j) Financial Instruments (continued)

Classification and measurement (continued)

Financial liabilities are classified as measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(k) Impairment of financial assets

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 4 (b). 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. Equity investment for non-life business are classified at fair value through other comprehensive income (note 19).

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when the Group has a legally enforceable right to set off the amounts and intends to settle them on a net basis or to realise the asset and settle the liability simultaneously.

IFRS 9 uses the 'expected credit loss' (ECL) model and results in credit losses being recognised earlier. The impairment model applies to financial assets measured at amortised cost. The company uses the impairment methodology under IFRS 9 for each of the classes of assets measured at amortised cost. The ECL impairment loss allowance is an unbiased, probability-weighted amount determined by evaluating a range of possible outcomes that reflects reasonable and supportable information that is available without undue cost or effort of past events, current conditions and forecasts of forward-looking economic conditions. The ECL model is dependent on the availability of relevant and accurate data to determine whether a significant increase in credit risk occurred since initial recognition, the probability of default (PD), the loss given default (LGD) and the possible exposure at default (EAD). Of equal importance is sound correlation between these parameters and forward-looking economic conditions.

ECL reflects an entity's own expectations of credit losses. However, when considering all reasonable and supportable information that is available without undue cost or effort in estimating ECL, an entity should also consider observable market information about the credit risk of the particular financial instrument or similar financial instruments. In the absence of sufficient depth of data, management apply expert judgment within a governance framework to determine the required parameters. The expert judgement process is based on available internal and external information.

Forward-looking information includes but is not limited to macro-economic conditions expected in the future. Forward looking information used in the ECL calculation should reflect the nature and characteristics of the credit risk exposures. All reasonable and supportable information that is available should be used when incorporating forward-looking information into the ECL allowance. Forward looking assessments can be performed on an individual or collective basis.

Forward-looking factors should be aligned with risk factors used in risk assessments, stress testing, budgeting as well as strategy and pricing decisions. Relevant factors include factors intrinsic to the entity and its business or derived from external conditions. Estimates regarding credit risk parameters and the impact of forward-looking information used in the calculation of the ECL loss amount should be reviewed at each reporting date and updated if necessary. The ECL loss amount depends on the specific stage where the financial instrument has been allocated to within the ECL model:

- Stage 1: At initial recognition a financial instrument is allocated into stage 1, except for purchased or originated credit impaired financial instruments.
- Stage 2: A financial instrument is allocated to stage 2 if there has been a significant increase in credit risk since initial recognition of the financial instrument.
- Stage 3: A financial instrument is allocated to stage 3 if the financial instrument is in default or is considered to be credit impaired.

Under IFRS 9, impairment loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Summary of significant accounting policies (continued)

(k) Impairment of financial assets (continued)

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- Financial assets that are determined to have low credit risk at the reporting date; and
- Financial assets where credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers quantitative and qualitative information, based on the Group's historical experience, credit assessment and including forward-looking information. The Group's assessment of a significant increase in credit risk from initial recognition consists of a primary and secondary risk driver as follows:

- The primary risk driver aligns to the quantitative credit risk assessments performed, such as the credit score, credit rating, probability of default or arrears aging of a financial instrument.
- The secondary risk assessment considers a broad range of qualitative risk factors based on a forward-looking view such as economic and sector outlooks. The secondary risk assessment can be performed on a portfolio basis as opposed to a quantitative assessment at a financial instrument level.

When making a quantitative assessment, the Group uses the change in the probability of default occurring over the expected life of the financial instrument. This requires a measurement of the probability of default at initial recognition and at the reporting date.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. Details on the impact of adoption of IFRS 9 impairment of financial instruments is outlined in note 4 (b).

(l) Cash and cash equivalents

Cash and cash equivalents include 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 and 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.

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 end of the reporting period less the fair value of plan assets. 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 government 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 obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in income.

(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 (Continued)

2 Summary of significant accounting policies (continued)

(n) Current and deferred 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 provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the financial 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, rounded up to the nearest thousands (KShs '000).

(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.

(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:

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Summary of significant accounting policies (continued)

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

(iii) Group balances (continued)

- 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
- 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) Share capital

Ordinary shares are classified as share capital in equity. Any premium received over and above the par value of the shares is classified as share premium in equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as deductions from the proceeds.

(q) 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.

(r) Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method 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 to the former owners of the acquiree 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 carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in 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 IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Summary of significant accounting policies (continued)

(r) Consolidation (continued)

(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 using the equity method of accounting. Under the equity method, the investment is 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 where appropriate. The Group's share of post-acquisition profit or loss is recognised in the income statement, 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 associates 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. 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 in investments in associates are recognised in the income statement. Currently the Group doesn't have any investments in associates.

(s) 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 Cash Generating Units (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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Summary of significant accounting policies (continued)

(s) Goodwill (continued)

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.

(t) 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 Plc Board of Directors to be its CODM.

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.

(u) Comparatives

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

(v) Leases

Right of Use asset and lease liability were recognized in the Statement of Financial Position at the adoption of IFRS 16 Leases. On initial application, the lease liability is measured at discounted lease payments over the lease period. The discount rates applied differ per country and are based upon the cost of borrowing. At inception, the right of use asset is equal to the lease liability plus any contractual restoration costs. During the lifetime of the lease, the right of use asset is depreciated using the straight-line method. Interest expense are computed based on the remaining balance and are recognized as finance costs within the Statement of Comprehensive Income.

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 27 contains further details on this process.

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Group. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard mortality tables that reflect historical mortality experience. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that epidemics such as AIDS could result in future mortality being significantly worse than in the past for the age groups in which the Group has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group is exposed to longevity risk. 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 10.21% p.a. (2019: 11.10% p.a.).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

(ii) Claims reserving and determination of incurred but not reported (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 27 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(k). 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. The residual amount in the goodwill account relates to the Uganda CGU. In 2020, no goodwill impairment was applied as the assessment done did not yield the need for an impairment. The assessment was based on discounted cash flows with a discount factor of 21%, the directors deemed goodwill to be impaired relating to investment in Tanzania (UAP Insurance Tanzania). These assumptions are disclosed on note 14.

(vi) Treatment of Leases under IFRS 16

In accordance with IFRS 16, the Group has considered that the lease commencement date is the date on which the lessor makes the underlying asset available for use by the lessee. The lease term is deemed to include the non-cancellable period for which the lessee has the right to use the underlying asset. Periods covered by an option to extend the lease term are thus included in the lease term where there is reasonable certainty of renewing the lease. The same rationale has been applied to lease termination options. Restoration costs have been based on estimates provided by our Properties team to restore premises where the terms of the lease stipulate that restorative works should be done.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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;
- 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

Our Risk Management supervises risk management Group-wide with the support of decentralized 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. 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 (ERM) 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 Group Chief Executive Officer (GCEO) 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 Enterprise Risk Management 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. The Group has procedures in place for the timely referral of risk issues to senior management and the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 Risk governance and risk management system (continued)

Risk Management Framework (continued)

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.

For the year ended 31 December 2020:		Maximum insured loss			Total
		KShs 0-15m	KShs 15-250m	KShs 250-1000m	KShs'000
General insurance business					
Motor	Gross	18,691,639	17,120,719	49,870,955	85,683,313
	Net	15,035,748	7,309,519	81,198	22,426,465
Fire	Gross	16,228,396	32,747,797	213,889,079	262,865,272
	Net	9,674,848	21,991,443	17,963,145	49,629,436
Accident	Gross	7,167,464	7,971,517	23,015,759	38,154,740
	Net	4,124,109	5,168,948	2,320,394	11,613,451
Other	Gross	18,107,763	24,330,658	8,884,394,343	8,926,832,764
	Net	12,168,661	12,869,989	14,758,178	39,796,828
Life assurance business					
Ordinary life	Gross	9,597,077	6,917,222	775,914	17,290,213
	Net	9,597,077	6,917,222	775,914	17,290,213
Group life	Gross	52,905,064	50,259,086	530,158,270	633,322,420
	Net	49,165,576	35,449,050	281,145,151	365,759,777
Total	Gross	122,697,403	139,346,999	9,702,104,320	9,964,148,722
	Net	99,766,019	89,706,171	317,043,980	506,516,170

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 Risk governance and risk management system (continued)

(a) Insurance risk (continued)

For the year ended 31 December 2019:		Maximum insured loss			Total
		KShs 0-15m	KShs 15-250m	KShs 250-1000m	KShs'000
General insurance business					
Motor	Gross	58,217,362	27,811,321	111,767,698	197,796,381
	Net	54,277,496	19,080,681	16,497,341	89,855,518
Fire	Gross	30,114,175	138,230,833	404,227,412	572,572,420
	Net	29,788,550	131,861,275	111,002,777	272,652,602
Accident	Gross	16,699,481	36,836,537	17,651,779	71,187,797
	Net	10,594,379	13,476,620	4,415,597	28,486,596
Other	Gross	26,359,229	81,503,610	8,385,464,416	8,493,327,255
	Net	29,101,321	66,620,452	38,236,744	133,958,517
Life assurance business					
Ordinary life	Gross	8,317,650	1,655,984	-	9,973,634
	Net	8,317,650	1,655,984	-	9,973,634
Group life	Gross	16,382,767	13,099,849	434,345,636	463,828,252
	Net	11,582,818	3,691,089	244,257,452	259,531,359
Total	Gross	156,090,664	299,138,134	9,353,456,941	9,808,685,739
	Net	143,662,214	236,386,101	414,409,911	794,458,226

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

(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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 Risk governance and risk management system (continued)

(b) Financial risk (continued)

Market risk (continued)

(i) Foreign exchange risk(continued)

At 31 December 2020, if the Shilling had weakened/strengthened by 10% against the US dollar with all other variables held constant, the post-tax loss for the year would have been KShs 84 million (31 December 2019: KShs 126 million) higher/lower, mainly as a result of US dollar earnings. At 31 December 2020, and 31 December 2019, the Group had no significant exposure with respect to any other currencies.

(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 Board. All quoted shares held by the Group are traded on the various Stock Exchanges across the region.

At 31 December 2020, if the NSE and USE Indices had increased/decreased by 10% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation to the indices, equity would have been KShs 138 million higher/lower (31 December 2019: KShs 360 million). There was no concentration of price risk.

(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 2020, if interest rates on bonds had been 2% higher/lower with all other variables held constant,

Company and Group post-tax loss for the year would not have been affected as all the corporate bonds either matured or were fully provided for (31 December 2019: KShs 4 million). If interest rates on loans pegged on the LIBOR plus margin had been 2% higher/lower with all other variables held constant, post-tax loss for the year would have been KShs 226 million higher/lower.

(iv) 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;
- Corporate bonds;
- Government securities;
- Deposits with financial institutions;
- Cash and bank balances;
- Mortgage loans recoverable; and
- Other receivables.

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 counterparties, 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 Risk governance and risk management system (continued)

(b) Financial risk (continued)

Market risk (continued)

(iv) Credit risk(continued)

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 Governments in which subsidiary companies are registered. The Company classifies corporates that have issued Corporate Bonds. 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.

No collateral is held for any of the above assets other than for staff mortgage loans and car loans included in 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 KShs 324 million (2019: KShs 385 million) and no collateral had been repossessed at as the end of the year. All receivables that are neither past due or impaired are within their approved credit limits, and no receivables have had their terms renegotiated. All receivables are classified in group 2.

Maximum exposure to credit risk before collateral held – Group

KShs'000	Note	Credit rating/ classification	2020	2019
Receivables arising out of direct insurance arrangements	4 (b) (iv)	Group 2	1,596,639	1,452,956
Receivables arising out of reinsurance arrangements	4 (b) (iv)	Group 2	1,174,377	1,342,007
Reinsurers' share of insurance liabilities	21	Group 2	4,796,343	3,001,085
Other receivables	23 (a)	Group 2	1,498,446	1,082,297
Amounts due from related parties	43 (v)	Group 2	333,856	245,936
Government securities	24	B+ rating	19,826,386	16,351,305
Corporate bonds	24	Group 2	-	222,640
Loans and advances	22	Group 2	286,408	313,149
Deposits with financial institutions	25 (a)	Group 2	9,017,553	6,622,475
Cash at bank	25 (a)	Group 2	1,844,146	1,301,440
			40,374,154	31,935,290

Maximum exposure to credit risk before collateral held – Company

KShs'000	Note	Credit rating/ classification	2020	2019
Cash and bank	25 (b)	Group 2	103,998	22,426
Deposits with financial institutions	25 (b)	Group 2	277,821	71,734
Amounts due from subsidiaries	43 (iv)	Group 2	3,176,572	4,099,316
Other receivables	23 (b)	Group 2	1,031,794	1,626,912
			4,590,185	5,820,388

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 (Continued)

4 Risk governance and risk management system (continued)

(b) Financial risk (continued)

Market risk (continued) (iv) Credit risk(continued)

KShs'000	Credit rating/ classification	Receivables arising from direct insurance arrangements		Receivables arising from reinsurance arrangements	
		2020	2019	2020	2019
Past due but not impaired:					
- by up to 30 days	Group 2	430,062	101,492	358,797	382,755
- by 31 to 60 days	Group 2	390,187	407,398	55,707	28,509
- by 61 to 150 days	Group 2	451,382	383,432	664,101	772,383
- by 151 to 365 days	Group 2	325,008	560,634	95,772	158,360
Total past due but not impaired		1,596,639	1,452,956	1,174,377	1,342,007
Past due and impaired:					
- Carrying amount before provision for impairment		1,115,595	1,235,649	-	25,506
- Provision for impairment loss		(1,115,595)	(1,235,649)	-	(25,506)
Net carrying amount		1,596,639	1,452,956	1,174,377	1,342,007

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:

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

KShs'000	2020	2019
At 1 January	1,235,649	1,535,400
(Recovery)/provision in the period	(120,054)	(299,751)
As at 31 December	1,115,595	1,235,649

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

KShs'000	2020	2019
Brokers	672,570	684,702
Agents	303,080	472,452
Insurance Companies	56,715	43,922
Direct Clients	83,230	34,573
As at 31 December	1,115,595	1,235,649

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 Risk governance and risk management system (continued)

(b) Financial risk (continued)

Market risk (continued) (iv) Credit risk(continued)

(i) Group

2020 KShs'000	IFRS 9 impairment provision – allowance for ECL at 31 December 2020				Movement between 1 January 2020 and 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Treasury bonds	15,012	-	-	15,012	(11,372)	-	-	(11,372)
Treasury bills	223	-	-	223	(1,158)	-	-	(1,158)
Bank deposits	51,964	-	50,000	101,964	25,601	(53,079)	-	(27,478)
Corporate bonds	-	-	363,198	363,198	(1,116)	-	(5,067)	(6,183)
Other receivables at amortized cost	30,311	-	1,259,164	1,289,475	(60,751)	(78,279)	20,108	(118,922)
Total	97,510	-	1,672,362	1,769,782	(48,796)	(131,358)	15,041	(165,113)

2019 KShs'000	IFRS 9 impairment provision – allowance for ECL at 31 December 2019				Movement between 1 January 2019 and 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Treasury bonds	26,384	-	-	26,384	6,766	-	-	6,766
Treasury bills	1,381	-	-	1,381	(4,348)	-	-	(4,348)
Bank deposits	26,363	53,079	50,000	129,442	(40,903)	23,263	50,000	32,360
Corporate bonds	1,116	-	368,265	369,381	(4,024)	(21,223)	-	(25,247)
Other receivables at amortized cost	91,062	78,279	1,239,056	1,408,397	38,932	78,279	(296,344)	(179,133)
Total	146,306	131,358	1,657,321	1,934,985	(3,577)	80,319	(246,344)	(169,602)

(ii) Company

2020 KShs'000	IFRS 9 impairment provision – allowance for ECL at 31 December 2020				Movement between 1 January 2020 and 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Cash and bank balances	13	-	-	13	(1,421)	-	-	(1,421)
Other receivables at amortized cost	13,203	-	-	13,203	10,409	-	-	10,409
Total	13,216	-	-	13,216	8,988	-	-	8,988

2019 KShs'000	IFRS 9 impairment provision – allowance for ECL at 31 December 2019				Movement between 1 January 2019 and 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Cash and bank balances	11,202	-	-	11,202	3,487	-	-	3,487
Other receivables at amortized cost	2,062	-	-	2,062	1,031	-	-	1,031
Total	13,264	-	-	13,264	4,518	-	-	4,518

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 Risk governance and risk management system (continued)

(b) Financial risk (continued)

Market risk (continued)

(iv) Credit risk(continued)

Under IFRS 9, an entity shall recognize a loss allowance for expected credit losses on a financial asset that is measured at amortised cost or at fair value through other comprehensive income. The Group and Company has measured the loss allowance for corporate bonds, at each reporting date, at an amount equal to the lifetime expected losses if the credit risk on that financial instrument has increased significantly since initial recognition and if the credit risk has not increased significantly at an amount equal to the 12 month expected losses. Summary of the expected credit loss impairments are as below:

i) Group

KShs'000	31 December 2020				31 December 2019			
	12 month expected credit losses	Lifetime expected credit losses		Total	12 month expected credit losses	Lifetime expected credit losses		Total
		Not credit impaired	Credit impaired			Not credit impaired	Credit-impaired	
Gross value	-	-	363,198	363,198	162,251	-	368,265	530,516
Loss allowance	-	-	(363,198)	(363,198)	(1,116)	-	(368,265)	(369,381)
Amortised cost	-	-	-	-	161,135	-	-	161,135

(ii) Company

The Company does not have investments in corporate bonds

Government securities at amortised cost

Under IFRS 9, an entity shall recognize a loss allowance for expected credit losses on a financial asset that is measured at amortised cost or at fair value through other comprehensive income. The Group has measured the loss allowance for government securities, at each reporting date, at an amount equal to the lifetime expected losses if the credit risk on that financial instrument has increased significantly since initial recognition and if the credit risk has not increased significantly at an amount equal to the 12 month expected losses. Summary of the expected credit loss impairments are as below:

i) Group

(KShs'000)	31 December 2020				31 December 2019			
	12 month expected credit losses	Lifetime expected credit losses		Total	12 month expected credit losses	Lifetime expected credit losses		Total
		Not credit impaired	Credit impaired			Not credit impaired	Credit impaired	
Gross value	19,841,621	-	-	19,841,621	15,613,640	-	-	15,613,640
Loss allowance	(15,235)	-	-	(15,235)	(27,765)	-	-	(27,765)
Amortised cost	19,826,386	-	-	19,826,386	15,585,875	-	-	15,585,875

ii) Company

The Company does not have investments in government securities.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 Risk governance and risk management system (continued)

(b) Financial risk (continued)

Market risk (continued)

(iv) Credit risk(continued)

Deposits with financial institutions:

Under IFRS 9, an entity shall recognize a loss allowance for expected credit losses on a financial asset that is measured at amortized cost or at fair value through other comprehensive income. The Group and Company has measured the loss allowance for fixed deposits with financial institutions, at each reporting date, at an amount equal to the lifetime expected losses if the credit risk on that financial instrument has increased significantly since initial recognition and if the credit risk has not increased significantly at an amount equal to the 12 month expected losses. Summary of the expected credit loss impairments are as below:

(i) Group

(KShs'000)	31 December 2020				31 December 2019			
	12 month expected credit losses	Lifetime expected credit losses		Total	12 month expected credit losses	Lifetime expected credit losses		Total
		Not credit impaired	Credit impaired			Not credit impaired	Credit impaired	
Gross value	9,061,413	-	50,000	9,111,413	6,642,571	-	50,000	6,692,571
Loss allowance	(43,860)	-	(50,000)	(93,860)	(20,096)	-	(50,000)	(70,096)
Amortised cost	9,017,553	-	-	9,017,553	6,622,475	-	-	6,622,475

(ii) Company

Gross value	277,830	-	-	277,830	72,942	-	-	72,942
Loss allowance	(9)	-	-	(9)	(1,208)	-	-	(1,208)
Amortised cost	277,821	-	-	277,821	71,734	-	-	71,734

Cash and bank balances at amortised cost:

Under IFRS 9, an entity shall recognize a loss allowance for expected credit losses on a financial asset that is measured at amortized cost or at fair value through other comprehensive income. The Group and Company has measured the loss allowance for cash and bank balances, at each reporting date, at an amount equal to the lifetime expected losses if the credit risk on that financial instrument has increased significantly since initial recognition and if the credit risk has not increased significantly at an amount equal to the 12 month expected losses. Summary of the expected credit loss impairments are as below:

(i) Group

(KShs'000)	31 December 2020				31 December 2019			
	12 month expected credit losses	Lifetime expected credit losses		Total	12 month expected credit losses	Lifetime expected credit losses		Total
		Not credit impaired	Credit impaired			Not credit impaired	Credit impaired	
Gross value	1,852,250	-	-	1,360,786	1,360,786	-	-	1,360,786
Loss allowance	(8,104)	-	-	(59,346)	(59,346)	-	-	(59,346)
Amortised cost	1,844,146	-	-	1,844,146	1,301,440	-	-	1,301,440

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 Risk governance and risk management system (continued)

(b) Financial risk (continued)

Market risk (continued) (iv) Credit risk(continued) (ii) Company

Gross value	104,002	-	-	104,002	22,651	-	-	22,651
Loss allowance	(4)	-	-	(4)	(225)	-	-	(225)
Amortised cost	103,998	-	-	103,998	22,426	-	-	22,426

Other receivables and amounts due from related parties at amortised cost:

Under IFRS 9, an entity shall recognize a loss allowance for expected credit losses on a financial asset that is measured at amortised cost or at fair value through other comprehensive income. The Group and Company has measured the loss allowance for other receivables and amounts due from related parties, at each reporting date, at an amount equal to the lifetime expected losses if the credit risk on that financial instrument has increased significantly since initial recognition and if the credit risk has not increased significantly at an amount equal to the 12 month expected losses. Summary of the expected credit loss impairments are as below:

(KShs'000)	31 December 2020				31 December 2019			
	Lifetime expected credit losses			12 month expected credit losses	Lifetime expected credit losses			Total
	12 month expected credit losses	Not credit impaired	Credit impaired		Not credit impaired	Credit impaired	Total	
Gross value	1,672,326	-	-	1,672,326	1,500,981	-	-	1,500,981
Loss allowance	(173,880)	-	-	(173,880)	(172,748)	-	-	(172,748)
Amortised cost	1,498,446	-	-	1,498,446	1,328,233	-	-	1,328,233

ii) Company

Gross value	3,190,353	-	-	3,190,353	4,348,047	-	-	4,348,047
Loss allowance	(13,781)	-	-	(13,781)	(2,795)	-	-	(2,795)
Amortised cost	3,176,572	-	-	3,176,572	4,345,252	-	-	4,345,252

Receivables arising from direct insurance arrangements

(KShs'000)	31 December 2019				31 December 2018			
	Lifetime expected credit losses			12 month expected credit losses	Lifetime expected credit losses			Total
	12 month expected credit losses	Not credit impaired	Credit impaired		Not credit impaired	Credit impaired	Total	
Gross value	-	-	2,712,234	2,712,234	-	-	2,688,605	2,688,605
Loss allowance	-	-	(1,115,595)	(1,115,595)	-	-	(1,235,649)	(1,235,649)
Amortised cost	-	-	1,596,639	1,596,639	-	-	1,452,956	1,452,956

ii) Company

The Company does not have receivables arising from direct insurance arrangements.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 Risk governance and risk management system (continued)

(b) Financial risk (continued)

Market risk (continued) (iv) Credit risk(continued)

The Group and Company 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 Committee sets limits on the minimum level of cash balances.

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

Group	Carrying Amount	Contractual Cashflows					
		Total	Upto 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
KShs'000							
Liabilities							
Insurance contract liabilities	17,449,087	17,449,087	2,379,361	1,439,870	1,641,458	7,055,131	4,933,267
Payable under deposit administration contracts	5,112,971	5,112,971	22,714	40,108	212,627	1,261,924	3,575,598
Unit-linked investment contracts	599,240	599,240	67,995	12,442	76,155	306,293	136,355
Borrowed funds	13,066,330	13,066,330	53,154	2,254,018	218,246	9,815,400	725,512
Lease Liabilities	539,968	1,267,964	5,456	16,368	43,642	823,475	379,023
Creditors arising from reinsurance arrangements	1,196,185	1,196,185	148,520	298,395	438,136	262,529	48,605
Other payables	4,333,476	4,333,476	872,302	1,005,493	714,722	1,068,156	672,803
Total financial liabilities as at 31 December 2020	42,297,257	43,025,253	3,549,502	5,066,694	3,344,986	20,592,908	10,471,163

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.

Group	Carrying Amount	Contractual Cashflows					
		Total	Upto 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
KShs'000							
Liabilities							
Insurance contract liabilities	13,746,305	13,746,305	1,004,907	698,534	1,466,577	5,855,527	4,720,760
Payable under deposit administration contracts	4,940,271	4,940,271	37,927	48,038	211,669	1,208,870	3,433,767
Unit-linked investment contracts	828,256	828,256	120,201	17,477	127,136	384,661	178,781
Borrowed funds	11,412,672	11,412,672	1,667	17,451	2,948,722	8,444,832	-
Lease Liabilities	506,392	1,441,127	13,257	39,770	106,054	511,045	771,001
Creditors arising from reinsurance arrangements	1,057,647	1,057,647	367,475	143,406	311,369	235,397	-
Other payables	2,832,853	2,832,853	555,736	992,174	1,053,517	231,303	123
Total financial liabilities as at 31 December 2019	35,324,396	36,259,131	2,101,170	1,956,850	6,225,044	16,871,635	9,104,432

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 Risk governance and risk management system (continued)

(b) Financial risk (continued)

Market risk (continued)

(v) Liquidity risk

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.

KShs'000	Less than 1 year	Greater than 1 year
	2020	2020
Amounts due to related parties (Note 43(iv))	202,165	-
Other payables	1,599,269	-
Lease Liabilities	36,339	-
Borrowed funds	8,899,943	2,200,000
As at 31 December 2020	10,737,716	2,200,000
KShs'000	Less than 1 year	Greater than 1 year
	2019	2019
Amounts due to related parties (Note 43(iv))	626,247	-
Other payables	625,314	-
Lease Liabilities	39,112	-
Borrowed funds	8,263,883	2,200,000
As at 31 December 2019	9,554,556	2,200,000

4 Risk governance and risk management system (continued)

(c) Capital management

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

- to comply with the capital requirements as set out in the 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 36. The Group manages the minimum paid up capital and regulatory Capital (solvency) held in each subsidiary as capital. Capital adequacy and solvency margin are monitored regularly by the Board of Directors. The required information is filed with the respective

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 Risk governance and risk management system (continued)

(b) Financial risk (continued)

Market risk (continued)

(v) Liquidity risk (continued)

authorities. During the year, the Group held the minimum paid up share capital required. The Group entities also met the solvency margins required in the jurisdictions in which they operate. Appropriate measures, including capital injection and business turn-around initiatives, have been instituted to resolve the solvency gap in this entity.

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. Kenya Gazette Notice, Supplement No. 154, granted an extension for all registered insurers to comply with the solvency requirements within Section 41 of the Insurance Act to 1 January 2021 from 1st July 2020.

As at 31 December 2020:

KShs'000	Kenya		South Sudan	Uganda		Rwanda	Tanzania
	General insurance	Life Assurance	Composite insurance	General insurance	Life Assurance	General insurance	General insurance
Regulatory capital requirements	600,000	400,000	491,580	119,470	89,603	189,948	99,703
Amount of paid up capital	1,000,000	1,585,456	342,709	214,939	826,349	1,175,625	1,003,026
Required solvency	2,417,050	915,612	491,580	429,724	5,102,723	189,948	84,964
Solvency margin by Company	5,895,197	1,567,707	3,309,317	708,969	5,252,821	523,214	147,461
Surplus over required margin	3,478,147	652,095	2,817,737	279,245	150,098	333,266	62,497

As at 31 December 2019:

KShs'000	Kenya		South Sudan	Uganda		Rwanda	Tanzania
	General insurance	Life Assurance	Composite insurance	General insurance	Life Assurance	General insurance	General insurance
Regulatory capital requirements	600,000	400,000	456,075	110,621	82,966	164,069	100,953
Amount of paid up capital	1,000,000	1,585,456	342,709	214,939	827,674	1,175,625	1,003,026
Required solvency	3,080,394	953,935	456,014	360,000	4,129,975	164,069	101,514
Solvency margin by Company	6,340,772	1,995,502	3,027,392	461,522	4,238,284	461,024	271,166
Surplus/(deficit) over required margin	3,260,378	1,041,567	2,571,378	101,522	108,309	296,955	169,652

The fair value of government securities at 31 December 2020 is estimated at KShs 20,001 million (2019: KShs 11,446 million) compared to the carrying value KShs 19,826 million (2019: KShs 16,351 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.

IFRS 7 and IFRS 13 require 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).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 Risk governance and risk management system (continued)

(d) Fair values of financial assets and liabilities

Fair values estimation

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

As at 31 December 2020

KShs'000	Level 1	Level 2	Level 3	Total
Assets				
Equity investments	1,604,382	-	116,032	1,720,414
Government securities	1,114,805	-	-	1,114,805
Corporate bonds	-	-	-	-
Investment Properties	-	-	16,458,648	16,458,648
Total	2,719,187	-	16,574,680	19,293,867

As at 31 December 2019

KShs'000	Level 1	Level 2	Level 3	Total
Assets				
Equity investments	3,918,961	-	116,962	4,035,923
Government securities	765,430	-	-	765,430
Corporate bonds	61,505	-	-	61,505
Investment Properties	-	-	16,012,712	16,012,712
Total	4,745,896	-	16,129,674	20,875,570

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

As at 31 December 2020

KShs'000	Level 1	Level 2	Level 3	Total
Assets				
Investment Properties	-	-	5,802,793	5,802,793
Total	-	-	5,802,793	5,802,793

As at 31 December 2019

KShs'000	Level 1	Level 2	Level 3	Total
Assets				
Investment Properties	-	-	5,788,497	5,788,497
Total	-	-	5,788,497	5,788,497

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 Risk governance and risk management system (continued)

(d) Fair values of financial assets and liabilities (continued)

Fair values estimation (continued)

The fair value of financial instruments traded in active market 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 on the Nairobi Securities Exchange and the Uganda Stock Exchange.

Financial instruments measured at fair value that are not traded in active market relate to Group's investment in the holding company for an investment property and investments in equities that aren't traded in active markets. Fair value estimate is based on the Group's share of the net asset of the investee company and on use of rental income and a capitalization rate of 8.42%. 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 transfers out of level 3 during the year amounting to KShs 1.5 bn (2019: KShs 1.4 bn) due to the

reclassification of owner-occupied investment property to property and equipment.

5. Segmental information

Management has determined the operating segments based on the reports reviewed by the Group's Board of Directors 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 Tanzania.

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 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**5. Segmental information (continued)****(a) Segmental information by business line**

The segment information provided to the Group Board of Directors for the reportable segments for the year ended 31 December 2020 is as follows:

Year ended 31 Dec 2020	General insurance				Life assurance				Property					
	Kenya	Uganda	Sudan	South Sudan	Tanzania	Rwanda	Sub-total	Kenya	Uganda	Sudan	South Sudan	Sub-total	Other Segments	Total
Gross written premium	10,606	3,912	1,162	666	1,413	17,759	1,151	1,447	125	2,723	-	-	-	20,482
Gross earned premium	10,250	3,770	1,255	700	1,337	17,312	1,139	1,447	136	2,722	-	-	-	20,034
Net earned premium	8,932	2,625	1,134	453	1,022	14,166	839	1,399	47	2,285	-	-	-	16,451
Interest income	769	210	281	112	166	1,538	1,076	580	3	1,659	-	-	(282)	2,915
Other investment income	(215)	(40)	184	17	-	(54)	(285)	(14)	(4)	(303)	364	347	638	1,349
Commissions & other income	358	249	24	78	90	799	148	4	18	170	-	-	48	1,017
Net impairment on financial assets	28	57	(30)	(15)	43	82	(38)	-	4	(34)	(6)	(6)	122	165
Total revenue	9,872	3,101	1,593	645	1,321	16,532	1,740	1,969	68	3,777	364	638	1,343	21,467
Claims & policyholders' benefits payable	(5,817)	(1,497)	(566)	(109)	(598)	(8,587)	(1,303)	(1,564)	6	(2,861)	-	-	-	(11,448)
Depreciation	(101)	(43)	(107)	(50)	(20)	(301)	(24)	(7)	-	(31)	19	(44)	(63)	(368)
Amortisation	(4)	-	-	-	(1)	(5)	-	(1)	-	(1)	-	-	-	(81)
Commissions & other operating expenses	(3,162)	(1,334)	(536)	(663)	(489)	(6,184)	(939)	(390)	(82)	(1,411)	(82)	(156)	(540)	(9,318)
Finance costs	(68)	(14)	(155)	(10)	(7)	(254)	(12)	(6)	-	(18)	(232)	(67)	(343)	(1,300)
Profit/(loss) before tax	720	213	229	(167)	206	1,201	(538)	1	(8)	(545)	50	(47)	95	(1,048)
Tax	(267)	(73)	-	47	(45)	(338)	53	(48)	-	(5)	-	25	(9)	(289)
Profit/(loss) after tax	453	140	229	(120)	161	863	(485)	(47)	(8)	(540)	50	(22)	86	(1,337)
Attributable to:														
- Parent	453	74	229	(72)	161	845	(485)	(25)	(8)	(518)	50	(17)	60	(1,119)
- Non-controlling interest	-	66	-	(48)	-	18	-	(22)	-	(22)	-	(5)	26	(218)
Profit/(loss) after tax	453	140	229	(120)	161	863	(485)	(47)	(8)	(540)	50	(22)	86	(1,337)
Other comprehensive income	6	152	45	50	14	267	-	18	16	34	-	69	(93)	540
Total comprehensive income	459	292	274	(70)	175	1,130	(485)	(29)	8	(506)	50	47	(7)	(797)

Statement of financial position

Year ended 31 Dec 2020	Kenya	Uganda	Sudan	South Sudan	Tanzania	Rwanda	Sub-total	Kenya	Uganda	Sudan	South Sudan	Sub-total	Other Segments	Total
Additions														
Property & equipment	28	24	6	9	3	70	5	11	-	16	-	39	15	140
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	33	-
Intangible assets	2	-	-	-	-	2	-	-	-	-	-	-	11	13
Total assets	16,659	7,423	6,932	2,147	2,341	35,502	12,815	5,334	424	18,573	4,008	8,425	959	63,459
Total equity	6,678	2,115	3,092	663	819	13,367	1,434	222	218	1,874	1,127	(1,054)	73	12,983

Year ended 31 Dec 2019

KSh's'm	General insurance				Life assurance				Property					
	Kenya	Uganda	Sudan	South Sudan	Tanzania	Rwanda	Sub-total	Kenya	Uganda	Sudan	South Sudan	Sub-total	Other Segments	Total
Gross written premium	9,371	3,060	1,290	738	1,245	15,704	1,656	1,309	153	3,118	-	-	-	18,822
Gross earned premium	9,474	3,303	1,409	808	1,182	16,176	1,703	1,309	151	3,163	-	-	-	19,339
Net earned premium	8,297	2,333	1,316	566	882	13,394	1,407	1,246	60	2,713	-	-	-	16,107
Interest income	686	215	287	127	130	1,445	964	477	17	1,458	-	-	(307)	2,596
Other investment income	510	5	225	(3)	-	737	544	(7)	11	548	(468)	(2,311)	(3,758)	(1,962)
Commissions & other income	330	175	14	60	51	630	171	51	20	242	-	-	13	885
Net impairment on financial assets	191	(17)	(7)	50	(26)	191	43	1	(6)	38	-	1	(60)	170
Total revenue	10,014	2,711	1,835	800	1,037	16,397	3,129	1,768	102	4,999	(468)	(2,310)	(3,737)	17,796
Claims & policyholders' benefits payable	(5,549)	(1,399)	(559)	(207)	(533)	(8,247)	(2,157)	(1,175)	(32)	(3,364)	-	-	-	(11,611)
Depreciation	(101)	(42)	(115)	(27)	(15)	(500)	(24)	(23)	-	(47)	(17)	(34)	(51)	(373)
Amortisation	2	-	-	-	-	2	-	(1)	-	(1)	-	-	(60)	(59)
Commissions & other operating expenses	(3,051)	(762)	(550)	(630)	(357)	(5,350)	(716)	(411)	(50)	(1,059)	(74)	(101)	(251)	(7,693)
Finance costs	(67)	(14)	(73)	(10)	(8)	(172)	(13)	(6)	-	(19)	(294)	(189)	(841)	(1,289)
Profit/(loss) before tax	1,248	494	538	(74)	124	2,330	219	152	20	391	(775)	(2,778)	(4,880)	(3,229)
Tax	(278)	(154)	-	19	-	(413)	(52)	(55)	-	(107)	-	124	318	(261)
Profit/(loss) after tax	970	340	538	(55)	124	1,917	167	97	20	284	(651)	(2,584)	(4,562)	(3,490)
Attributable to:														
- Parent	970	180	538	(33)	124	1,779	167	51	20	238	(513)	(1,809)	(3,649)	(3,138)
- Non-controlling interest	-	160	-	(22)	-	138	-	46	-	46	(138)	(775)	(913)	(352)
Profit/(loss) after tax	970	340	538	(55)	124	1,917	167	97	20	284	(651)	(2,584)	(4,562)	(3,490)
Other comprehensive income	5	12	(13)	(3)	(50)	(29)	-	(1)	(1)	(2)	8	16	(29)	(44)
Total comprehensive income	975	352	525	(58)	94	1,888	167	96	19	282	(643)	(2,576)	(4,546)	(3,534)

Statement of financial position

Year ended 31 Dec 2019	Kenya	Uganda	Sudan	South Sudan	Tanzania	Rwanda	Sub-total	Kenya	Uganda	Sudan	South Sudan	Sub-total	Other Segments	Total
Additions														
Property & equipment	29	7	10	6	4	56	2	11	-	13	-	170	101	340
Investment property	-	-	-	-	-	-	-	-	-	-	-	347	348	348
Intangible assets	2	-	-	-	1	3	-	-	-	-	-	-	141	144
Total assets	15,914	5,743	5,691	2,209	1,907	31,464	12,721	4,326	486	17,533	2,402	6,138	1,706	56,841
Total equity	7,119	1,824	2,818	733	643	13,137	2,043	252	210	2,505	(2,025)	(1,333)	(522)	13,779

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. Segmental information (continued)

(a) Segmental information by business line

	31 December 2020					31 December 2019						
	Kenya	Uganda	South Sudan	Rwanda	Tanzania	Total	Kenya	Uganda	South Sudan	Rwanda	Tanzania	Total
KShs'000												
Short - term insurance												
Gross written premium	10,605,343	3,912,348	1,162,002	1,413,355	666,184	17,759,232	9,371,847	3,059,824	1,289,950	1,245,074	737,619	15,704,314
Gross earned premium	10,250,106	3,770,330	1,254,699	1,337,492	699,414	17,312,041	9,474,267	3,302,822	1,408,940	1,182,269	807,463	16,175,761
Net earned premium	8,931,923	2,624,560	1,133,737	1,021,963	452,727	14,164,910	8,296,675	2,333,410	1,315,717	881,624	567,244	13,394,670
Long - term business												
Gross written premium	1,151,313	1,446,914	124,823	-	-	2,723,050	1,655,919	1,309,044	152,988	-	-	3,117,951
Gross earned premium	1,138,970	1,446,914	135,853	-	-	2,721,737	1,703,035	1,309,044	151,263	-	-	3,163,342
Net earned premium	839,114	1,399,739	47,154	-	-	2,286,007	1,407,371	1,245,557	59,784	-	-	2,712,712
Total												
Gross written premium	11,756,656	5,359,262	1,286,825	1,413,355	666,184	20,482,282	11,027,766	4,368,868	1,442,938	1,245,074	737,619	18,822,265
Gross earned premium	11,389,076	5,217,244	1,390,552	1,337,492	699,414	20,033,778	11,177,302	4,611,866	1,560,203	1,182,269	807,463	19,339,103
Net earned premium	9,771,037	4,024,299	1,180,891	1,021,963	452,727	16,450,917	9,704,046	3,578,967	1,375,501	881,624	567,244	16,107,382
Investment income	2,086,022	902,940	549,607	165,464	128,599	3,832,632	459,454	714,242	(793,471)	129,665	123,974	633,864
Commission earned	478,273	302,650	37,998	104,916	77,615	1,001,452	388,995	180,308	34,896	83,961	60,046	748,206
Other income	28,081	(1,395)	4,160	(14,083)	-	16,763	110,280	58,956	-	(32,420)	-	136,816
Net impairment loss on financial assets	(18,672)	181,559	(26,236)	42,835	(14,373)	165,113	238,341	(79,037)	(13,021)	(26,210)	49,528	169,602
Total revenue	12,344,741	5,410,053	1,746,420	1,321,095	644,568	21,466,877	10,901,117	4,453,436	603,905	1,036,620	800,792	17,795,870
ii) Asset allocation by country												
KShs'000												
Property and equipment	1,030,110	433,779	711,748	7,282	41,722	2,224,641	1,126,177	478,429	665,243	10,161	42,553	2,322,563
Investment property	9,346,908	4,090,369	3,021,371	-	-	16,458,648	8,156,129	4,287,897	3,568,686	-	-	16,012,712
Intangible assets	118,186	-	-	936	83	119,205	183,350	614	-	1,410	161	185,535
Total assets	31,085,416	17,074,112	10,810,739	2,341,471	2,147,384	63,459,122	28,836,848	14,331,224	9,556,477	1,907,395	2,208,663	56,840,607
Total equity	6,504,987	3,294,139	1,702,303	818,777	662,672	12,982,878	7,173,836	3,248,662	1,980,344	643,385	733,020	13,779,247

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. Segmental information (continued)

(b) By class of insurance

(i) Gross premiums

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

KShs'000	Gross written premium		Gross earned premium	
	2020	2019	2020	2019
Short term insurance business				
Engineering	676,277	462,547	775,000	735,654
Fire	1,741,100	1,544,047	1,700,700	1,526,891
Liability	280,925	229,636	258,282	229,644
Marine	260,049	249,921	250,465	262,280
Motor	3,165,825	3,149,437	3,170,030	3,333,289
Workmen's compensation	270,227	239,974	268,554	260,284
Personal accident	443,472	464,286	446,975	482,215
Theft	469,021	449,699	457,810	451,105
Medical	10,239,926	8,745,767	9,812,015	8,654,850
Others	212,410	169,000	172,210	239,548
Short term business	17,759,232	15,704,314	17,312,041	16,175,760
Long term business				
Ordinary life	1,601,478	1,866,642	1,601,478	1,866,643
Group life	1,121,572	1,251,309	1,120,259	1,296,700
Long term business	2,723,050	3,117,951	2,721,737	3,163,343
Total	20,482,282	18,822,265	20,033,778	19,339,103

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 (Continued)

5. Segmental information (continued)

(b) By class of insurance

(ii) Reinsurance ceded and amounts recoverable from reinsurers

KShs'000	Reinsurance ceded		Amounts recoverable from reinsurers	
	2020	2019	2020	2019
Short term insurance business				
Engineering	674,546	595,974	1,090,577	140,997
Fire	1,181,189	945,187	1,101,693	59,038
Liability	124,668	117,127	(78,759)	36,472
Marine	131,079	143,615	19,748	38,259
Motor	119,614	111,388	30,977	317,922
Workmen's compensation	38,185	9,596	8,124	47,105
Personal accident	120,889	92,898	14,890	26,167
Theft	196,095	182,751	122,149	67,230
Medical	407,754	384,476	455,310	415,938
Others	153,113	198,079	38,474	214,476
Short term business	3,147,132	2,781,091	2,803,183	1,363,604
Long term business	435,729	450,630	195,185	217,341
Total	3,582,861	3,231,721	2,998,368	1,580,945

(iii) Commissions earned and commissions payable

KShs'000	Commissions earned		Commissions payable	
	2020	2019	2020	2019
Short-term business	803,037	638,714	2,037,927	1,814,219
Long-term business	153,294	101,310	271,629	328,940
Brokerage/Investment management	45,121	8,182	52,381	-
Total	1,001,452	748,206	2,361,937	2,143,159

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Investment income

(a) Group

KShs'000	2020	2019
Interest from government securities	2,207,381	2,028,605
Bank deposit interest	683,714	541,963
Loan interest receivable	23,570	25,679
Rental income from investment properties	1,284,329	935,081
Dividends receivable from equity investments	80,531	199,630
Gross investment income	4,279,525	3,730,958
Loss on sale of equities	(340,574)	(37,526)
Profit on sale of property and equipment	(87)	2,537
Miscellaneous (costs)/income	190,065	(14,422)
Rent, interest, dividends received and other investment income	4,128,929	3,681,547
Fair value losses on investment properties (note 17)	(111,345)	(4,073,598)
Fair value gains/(losses) on equity investments at fair value through profit or loss (note 19(b))	(314,263)	772,081
Fair value gains on government securities assets at fair value through profit or loss	36,755	25,252
Foreign exchange gains	92,556	228,582
Fair value losses	(296,297)	(3,047,683)
Net Investment Income	3,832,632	633,864

(b) Company

KShs'000	2020	2019
Bank deposit interest	10,985	19,064
Loan interest receivable	168,481	193,909
Rental income from investment properties	364,263	317,276
Dividends receivable from equity investments	900,000	1,490,555
Rent, interest and dividends received	1,443,729	2,020,804
Profit on sale of property and equipment	44	-
Income from sublease	1,303	1,169
Miscellaneous income	3,362	29,103
Rent, interest, dividends received and other investment income	1,448,438	2,051,075
Fair value losses on investment properties (note 17)	14,296	(1,302,486)
Foreign exchange gains	(44,538)	29,816
Fair value losses	(30,242)	(1,272,670)
Net Investment Income	1,418,196	778,405

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Other income

(a) Group

KShs'000	2020	2019
Fee income	28,119	96,881
Other income	(11,356)	39,935
Total	16,763	136,816

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.

(b) Company

KShs'000	2020	2019
Shared services and direct cost recoveries	1,057,771	1,193,026
Total	1,057,771	1,193,026

8. Claims and policyholder benefits payable

(a) Group

KShs'000	2020	2019
Short term insurance		
Engineering	1,114,653	164,531
Fire	1,182,901	180,762
Liability	(45,308)	48,211
Marine	65,855	59,040
Motor	1,599,195	2,116,240
Workmen's compensation	59,848	38,597
Personal accident	80,506	86,210
Theft	179,849	110,642
Medical	7,007,547	6,555,071
Others	145,546	251,337
Short term insurance	11,390,592	9,610,641
Long term insurance business		
Death, maturity and benefits payable	1,937,747	1,160,565
Increase in policy owners' liabilities	1,076,250	1,780,145
Interest payable on deposit administration and unit linked investments contracts	41,666	640,575
Long term insurance business	3,055,663	3,581,285
Total	14,446,255	13,191,926

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. Operating and other expenses

(a) Group

KShs'000	2020	2019
Staff costs (Note 10 (a))	2,637,486	2,572,550
Office running costs	1,285,914	605,391
Bank charges and other related expenses	1,326,103	400,423
Publicity and marketing expenses	534,710	380,423
Depreciation - Property & equipment (Note 15 (a))	273,729	283,507
Depreciation - Right of use asset (Note 16 (a))	94,629	89,080
Impairment loss on property, plant & equipment (Note 15 (a))	20,116	469,115
Consultancy fees and expenses	349,738	301,304
Software costs	116,961	204,602
Premium tax costs	235,357	200,776
Directors expenses	129,768	141,759
Recurrent property costs	154,848	124,975
Travel costs	66,989	96,960
Licenses costs	22,701	20,761
Amortisation of intangible assets (Note 14)	79,897	59,147
Repairs & maintenance costs	19,642	16,930
Subscriptions costs	12,288	8,694
Other insurance expenses	44,008	5,150
Total	7,404,884	5,981,547

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. Operating and other expenses (continued)

(b) Company

KShs'000	2020	2019
Bank charges and other expenses*	2,161,040	539,736
Staff costs (Note 10 (a))	637,985	581,594
Software costs	271,022	142,556
Consultancy fees and expenses	64,365	87,029
Depreciation - Property & equipment (Note 15 (b))	66,470	70,572
Depreciation - Right of use asset depreciation (Note 16 (b))	4,811	4,500
Amortisation of intangible assets (Note 14)	75,081	59,167
Office running costs	23,314	42,233
Publicity and marketing expenses	68,473	39,091
Directors expenses	31,382	26,225
Travel costs	6,605	19,090
Repairs and maintenance costs	23,395	15,940
Licenses costs	1,041	5,089
Subscriptions costs	2,744	3,442
Total	3,437,728	1,636,264

*In 2019, other expenses include an amount of KShs. 6.2 million relating to impairment of the investment in UAP Investment Kenya which is 100% owned by UAP Holdings Plc. In 2020, it includes the impairment of UAP South Sudan dividends worth KShs 1,034 million as well as the impairment of the Investment in Uganda Life assurance business by KShs 143 million.

10. Staff costs

KShs'000	2020	2019
a) Group		
Salaries and wages	2,034,670	1,999,311
Social security benefits costs	72,344	95,346
Retirement benefit costs:		
Defined benefits scheme (Note 26)	6,363	5,192
Defined contribution scheme	141,208	140,553
Other staff costs	382,901	332,148
Total	2,637,486	2,572,550
b) Company		
Salaries and wages	588,739	535,932
Social security benefits costs	49,246	45,662
Total	637,985	581,594

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Income tax expense

(a) Group

KShs'000	2020	2019
Current income tax	669,192	492,925
Deferred tax (Note 12)	(354,720)	(234,785)
Deferred tax through other comprehensive income (Note 12)	(25,009)	-
Prior year over-provision of deferred tax (Note 12)	-	2,426
Total	289,463	260,566

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

KShs'000	2020	2019
Loss before tax	(1,047,985)	(3,228,975)
Tax calculated at statutory tax rate	(237,864)	(968,693)
Less: tax effect of income not subject to tax	(433,812)	(813,697)
Add: tax effect of expenses not deductible for tax purposes	973,804	2,045,382
Tax effect of tax rate changes	(37,674)	-
Prior year over provision of deferred tax	-	(2,426)
Total charge through income statement	264,454	260,566
Amount recognised in other comprehensive income		
Tax effect on revaluation of property, plant and equipment	25,009	-
Total	289,463	260,566

*See Note 46

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

KShs'000	2020	2019
At 1 January	116,327	145,854
Taxation charge	(669,192)	(492,925)
Taxation paid	648,064	463,398
At end of the year	95,199	116,327
Disclosed as follows:		
Current income tax recoverable	197,240	233,384
Current income tax payable	(102,041)	(117,057)
Total	95,199	116,327

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Income tax expense (continued)

(b) Company

KShs'000	2020	2019
Current income tax	-	-
Deferred tax (Note 12)	(170,402)	14,906
Prior year under/(over) provision for deferred tax	-	(10)
Total	(170,402)	14,896

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

KShs'000	2020	2019
Loss before tax	(2,016,688)	(830,823)
Tax calculated at a tax rate of 30% (2019: 30%);	(504,172)	(249,247)
Less: tax effect of income not subject to tax	(567,873)	(709,107)
Add: tax effect of expenses not deductible for tax purposes	929,924	973,260
Tax effect of tax rate changes	(28,281)	-
Prior year under/(over) provision for deferred tax	-	(10)
Total	(170,402)	14,896

Movement in the tax payable account is as follows:

KShs'000	2020	2019
At 1 January	93,373	42,915
Taxation charge	-	-
Taxation paid	41,470	50,458
At end of the year	134,843	93,373
Disclosed as follows;		
Current income tax recoverable	134,843	93,373
Current income tax payable	-	-
Total	134,843	93,373

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Deferred income tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2019: 30%).

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

(a) Group

KShs'000	2020	2019	Restated*
At start of year:	(423,938)	(196,451)	
Credit to profit or loss (Note 11(a))	(354,720)	(234,785)	
Credit to other comprehensive income (Note 11(a))	(25,009)	-	
Prior year under provision	-	2,426	
Translation difference	20,053	4,872	
Total	(783,614)	(423,938)	
Disclosed as follows;			
Deferred tax asset	(1,308,760)	(1,109,575)	
Deferred tax liability	525,146	685,637	
Total	(783,614)	(423,938)	

*See Note 46

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

Year ended 31 December 2020

KShs'000	1 Jan 2020	(Charge)/Credit Income Statement	(Charge)/credit OCI	Translation reserves	Prior year under/(over)	As at 31 December 2020
Property and equipment: - on historical cost basis	(410,101)	33,120	-	1	-	(376,980)
Investment property fair value gains/(losses)	(846,118)	175,877	25,009	(61,689)	-	(706,921)
Tax losses	1,991,177	(129,466)	-	-	-	1,861,711
Other provisions	(311,020)	275,189	-	41,635	-	5,804
Net deferred tax (liability)/asset	423,938	354,720	25,009	(20,053)	-	783,614

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Deferred income tax (continued)

Year ended 31 December 2019

KShs'000	1 Jan 2019	(Charge)/ credit	Translation reserves	Restated*	
				Prior year under/ (over)	As at 31 December 2019
Property and equipment: - on historical cost basis	(410,646)	575	(30)	-	(410,101)
Investment property fair value gains/(losses)	(1,054,493)	214,423	(6,048)	-	(846,118)
Tax losses	1,331,425	659,752	-	-	1,991,177
Other provisions	330,165	(639,965)	1,206	(2,426)	(311,020)
Net deferred tax assets	196,451	234,785	(4,872)	(2,426)	423,938

Unutilized tax losses that have an expiry limit relate to Kenya and these expire within 10 years under current Kenya tax legislation. The ageing of the tax losses that are recognised under the deferred tax assets at 31 December 2020 are as disclosed under note 12 (b).

* See Note 46

The unutilized tax losses that are recognised under the deferred tax assets at 31 December 2020 was as follows:

Year of origin	Amount of tax losses KSh	Year of expiry
2018 and prior	4,659,267,779	2027
2019	1,166,204,435	2028
2020	380,232,621	2029
Total	6,205,704,835	

(b) Company

KShs'000	2020	2019
At start of year:	(507,025)	(521,921)
Charge/(credit) to profit or loss (Note 11 (b))	(170,402)	14,906
Prior year under/(over) provision for deferred tax	-	(10)
Total	(677,427)	(507,025)
Disclosed as follows:		
Deferred tax asset	(677,427)	(507,025)
Deferred tax liability	-	-
Total	(677,427)	(507,025)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Deferred income tax (continued)

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

Year ended 31 December 2020

KShs'000	As at 1 Jan 2020	(Charge)/ credited	Under/ (Over)	As at 31 December 2020
Property and equipment: - on historical cost basis	1,299,323	24,945	-	1,324,268
Investment property fair value gains	(40,629)	(715)	-	(41,344)
Unrealized exchange gains	9,436	78,713	-	88,149
Deferred tax liabilities	1,268,130	102,943	-	1,371,073
Provisions	(27,388)	(119,452)	-	(146,840)
Unrealized exchange losses	-	(87,187)	-	(87,187)
Tax losses	(1,747,767)	(66,686)	-	(1,814,453)
Deferred tax assets	(1,775,155)	(273,345)	-	(2,048,500)
Net deferred tax assets	(507,025)	(170,402)	-	(677,427)

Year ended 31 December 2019:

Deferred tax liabilities

KShs'000	As at 1 Jan 2019	(Charge)/ credited	Prior year Adjustment	As at 31 December 2019
Property and equipment: - on historical cost basis	865,815	433,508	-	1,299,323
Investment property fair value gains	24,495	(65,124)	-	(40,629)
Unrealized exchange gains	-	9,436	-	9,436
Deferred tax liabilities	890,310	377,820	-	1,268,130
Provisions	(10,404)	(16,984)	-	27,388
Unrealized exchange losses	(3,931)	3,931	-	-
Tax losses	(1,397,896)	(349,861)	(10)	(1,747,767)
Deferred tax assets	(1,412,231)	(362,914)	(10)	(1,775,155)
Net deferred tax assets	(521,921)	14,906	(10)	(507,025)

In Kenya, the unutilised tax losses expire within 10 years under current tax legislation. The ageing of the tax losses that are recognised under the deferred tax assets at 31 December 2020 was as follows:

Year of Origin	Amount of tax losses (Kshs)	Year of Expiry
2018 and Prior	4,659,267,779	2017
2019	1,166,204,434	2028
2020	222,705,157	2029
Total	6,048,177,370	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 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.

	2020	2019
Loss attributable to equity holders of the company (KShs'000)	(1,059,785)	(3,013,335)
Number of shares in issue (in thousands)	211,718	211,718
Basic and diluted earnings per share (KShs)	(5.01)	(14.23)

In 2019, 298,000 UAP Holdings Plc shares worth approximately KShs 1.49 million were issued at par value (i.e., KShs 5.00) for the distribution of shares to Old Mutual Life Assurance Company (OMLAC) minorities. This was part of a share swap arrangement which was an incentive scheme to encourage OMLAC minorities to cede their shares in the OMLAC. See note 48 for the impending merger between UAP Life Assurance Limited and OMLAC.

As at 31 December 2020 or 31 December 2019 the diluted earnings per share are the same as basic earnings per share. The impending merger above will result in will result in UAP Holdings Plc's shareholding in UAP Life Assurance Limited reducing from 100% to 55.7% with the remaining 44.3% being held by Old Mutual Holdings Limited.

14 Goodwill and other intangible assets

(a) Group

KShs'000	Computer software			
	Goodwill	In use	Work in progress	Total
Cost				
Balance as at 1 January 2019	240,030	687,350	10,201	937,581
Additions	-	144,038	-	144,038
Translation differences	-	16	-	16
Balance as at 31 December 2019	240,030	831,404	10,201	1,081,635
Additions	-	13,473	-	13,473
Translation differences	-	94	-	94
Balance as at 31 December 2020	240,030	844,971	10,201	1,095,202
Amortisation and impairment losses				
Balance as at 1 January 2019	174,363	596,923	-	771,286
Amortisation charge for the year	-	59,147	-	59,147
Balance as at 31 December 2019	174,363	656,070	-	830,433
Amortisation charge for the year	-	79,897	-	79,897
Balance as at 31 December 2020	174,363	735,967	-	910,330
Net carrying value as at:				
31 December 2019	65,667	175,334	10,201	251,202
31 December 2020	65,667	109,004	10,201	184,872

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 Goodwill and other intangible assets (continued)

The goodwill arose from acquisition of UAP Century Tanzania in 2013 (KShs 174m) and UAP Old Mutual Insurance Uganda Limited in 2004 (KShs 66m) and is therefore all allocated to the Tanzania and Uganda Cash Generating Units (CGUs) for the purposes of impairment assessment. The goodwill allocated to the Tanzania CGU was written down to zero in 2018. No goodwill write down was proposed for the Uganda CGU as the business remained profitable in 2020.

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:

	2020	2019
Discount rate %	21.4%	21.4%
Growth rate %	10%	3%

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. Work in Progress relates to software developments done for the Group which have not yet been completed.

(b) Company

KShs'000	2020	2019
As at 1 January	177,938	97,124
Additions	11,230	139,981
Amortisation charge for the year	(75,081)	(59,167)
At end of year	114,087	177,938

The above balances relate to computer software.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Property and equipment

(a) Group

Included in equipment are assets with a gross value of KShs 1bn (2019 – KShs 0.7bn) which are fully depreciated and still in use. Such assets would have attracted a notional depreciation of KShs 264m (2019 – KShs 178m). The revaluation deficit in buildings relates to the portion of fair value losses on investment properties which is owner occupied. The owner-occupied portion of investment property was transferred to buildings as detailed below and in note 17.

KShs'000	Buildings	Office furniture & equipment	Motor vehicles	Capital work in progress	Telephone equipment	Total
Cost						
At 1 January 2020	2,025,523	2,071,319	127,136	135,106	108,783	4,467,867
Additions	-	118,797	14,306	3,096	3,578	139,777
Disposals	-	(2,630)	-	(71,072)	(347)	(74,049)
Transferred from investment property (Note 17)	-	(33,494)	-	-	-	(33,494)
Transferred from/(to) related company	-	-	-	-	-	-
Transfer from work in progress	-	8,129	-	-	522	8,651
Revaluation surplus	122,004	-	-	-	-	122,004
Translation difference	-	72,457	6,808	6,557	1,489	87,311
At 31 December 2020	2,147,527	2,234,578	148,250	73,687	114,025	4,718,067
Depreciation						
At 1 January 2020	644,094	1,287,006	110,910	3,476	99,818	2,145,304
Charge for the year	28,450	227,923	12,754	2,265	2,337	273,729
Accumulated depreciation on disposals	-	(1,886)	-	-	-	(1,886)
Transferred from related company	-	7,934	-	-	522	8,456
Impairment loss	20,116	-	-	-	-	20,116
Translation difference	-	38,506	6,467	1,285	1,449	47,707
At 31 December 2020	692,660	1,559,483	130,131	7,026	104,126	2,493,426
Net book value as at 31 December 2020	1,454,867	675,095	18,119	66,661	9,899	2,224,641

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Property and equipment (continued)

KShs'000	Buildings	Office furniture & equipment	Motor vehicles	Capital work in progress	Telephone equipment	Total
Cost						
At 1 January 2019	2,006,095	1,798,157	105,919	104,848	106,548	4,121,567
Additions	-	262,874	29,458	45,256	2,341	339,929
Disposals	-	(1,890)	(7,828)	-	-	(9,718)
Transferred from investment property (Note 17)	45,179	-	-	-	-	45,179
Transferred from work in progress	-	14,738	-	(14,738)	-	-
Revaluation loss	(25,751)	-	-	-	-	(25,751)
Translation difference	-	(2,560)	(413)	(260)	(106)	(3,339)
At 31 December 2019	2,025,523	2,071,319	127,136	135,106	108,783	4,467,867
Depreciation						
At 1 January 2019	135,750	1,049,586	109,709	16,119	93,591	1,404,755
Charge for the year	39,229	226,328	9,448	2,168	6,334	283,507
Accumulated depreciation on disposals	-	(1,406)	(7,828)	-	-	(9,234)
Impairment loss	469,115	-	-	-	-	469,115
Translation difference	-	12,498	(419)	(14,811)	(107)	(2,839)
At 31 December 2019	644,094	1,287,006	110,910	3,476	99,818	2,145,304
Net book value as at 31 December 2019	1,381,429	784,313	16,226	131,630	8,965	2,322,563

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Property and equipment (continued)

(b) Company

KShs'000	Office furniture & equipment	Computer equipment	Motor vehicles	Capital work in progress	Telephone equipment	Total
Cost						
At 1 January 2020	90,643	285,343	32,177	17,998	42,667	468,828
Additions	1,373	9,557	-	-	526	11,456
Disposals	-	(1,088)	-	-	-	(1,088)
Transfers	-	-	-	(17,107)	-	(17,107)
Transfer from/(to) related party	2,654	5,475	-	-	522	8,651
At 31 December 2020	94,670	299,287	32,177	891	43,715	470,740
Depreciation						
At 1 January 2020	28,129	209,467	9,631	-	36,038	283,265
Charge for the year	11,308	47,098	6,593	-	1,471	66,470
Disposals	-	(826)	-	-	-	(826)
Transfer from related party	2,460	5,475	-	-	522	8,457
At 31 December 2020	41,897	261,214	16,224	-	38,031	357,366
Net book value as at 31 December 2020	52,773	38,073	15,953	891	5,684	113,374

KShs'000	Office furniture & equipment	Computer equipment	Motor vehicles	Capital work in progress	Telephone equipment	Total
Cost						
At 1 January 2019	89,015	233,002	5,804	-	41,106	368,927
Additions	1,628	52,341	26,373	17,998	1,561	99,901
At 31 December 2019	90,643	285,343	32,177	17,998	42,667	468,828
Depreciation						
At 1 January 2019	12,653	163,146	5,804	-	31,090	212,693
Charge for the year	15,476	46,321	3,827	-	4,948	70,572
At 31 December 2019	28,129	209,467	9,631	-	36,038	283,265
Net book value as at 31 December 2019	62,514	75,876	22,546	17,998	6,629	185,563

Included in equipment are assets with a gross value of KShs 248m (2018: KShs 148m) which are fully depreciated and still in use. Such assets would have attracted a notional depreciation of KShs 77m (2018: KShs 48m).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 Right of use assets

(a) Group

KShs'000	Buildings	Office equipment	Total
Cost			
At 1 January 2020	544,229	29,966	574,195
Additions	133,743	-	133,743
Disposals	(64,248)	-	(64,248)
Translation difference	19,987	-	19,987
At 31 December 2020	633,711	29,966	663,677
Amortisation			
At 1 January 2020	84,662	3,434	88,096
Charge for the year	90,883	3,746	94,629
Accumulated depreciation on disposals	(17,379)	-	(17,379)
Translation difference	637	-	637
At 31 December 2020	158,803	7,180	165,983
Net book amount as at:			
31 December 2020	474,908	22,786	497,694
KShs'000	Buildings	Office equipment	Total
Cost			
At 1 January 2019	503,683	-	503,683
Additions	43,896	29,966	73,862
Translation difference	(3,350)	-	(3,350)
At 31 December 2019	544,229	29,966	574,195
Amortisation			
At 1 January 2019	-	-	-
Charge for the year	85,646	3,434	89,080
Translation difference	(984)	-	(984)
At 31 December 2019	84,662	3,434	88,096
Net book amount as at:			
31 December 2019	459,567	26,532	486,099

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 Right of use assets (continued)

(b) Company

KShs'000	Buildings	Office equipment	Total
Cost			
At 1 January 2020	11,548	29,966	41,514
Additions	-	-	-
At 31 December 2020	11,548	29,966	41,514
Amortisation			
At 1 January 2020	1,066	3,434	4,500
Charge for the year	1,066	3,745	4,811
At 31 December 2020	2,132	7,179	9,311
Net book amount as at:			
31 December 2020	9,416	22,787	32,203

KShs'000	Buildings	Office equipment	Total
Cost			
At 1 January 2019	-	-	-
Recognition of Right of use asset on initial application of IFRS 16	11,548	-	11,548
Adjusted balance as at 1 January 2019	11,548	-	11,548
Additions	-	29,966	29,966
At 31 December 2019	11,548	29,966	41,514
Amortisation			
At 1 January 2019	-	-	-
Charge for the year	1,066	3,434	4,500
At 31 December 2019	1,066	3,434	4,500
Net book amount as at:			
31 December 2019	10,482	26,532	37,014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Investment properties

a) Group

KShs'000	2020	2019
At start of year	16,012,712	19,756,714
Additions	-	347,784
Unrealised fair value losses	(111,345)	(4,073,598)
Translation difference	523,787	26,991
Transferred from/(to) Property and equipment (Note 15)	33,494	(45,179)
At end of year	16,458,648	16,012,712

Details of the investment properties held by the Group are shown in the table below:

KShs'000		2020	2019
UAP Holdings Plc	UAP Old Mutual Tower	5,610,000	5,610,000
	Rwanda Land	192,793	178,497
UAP Insurance, Kenya	UAP Center	2,120,000	2,223,000
	UAP Place	1,360,000	1,432,000
	Plot	2,700	2,700
UAP Life, Kenya	Union House	815,000	850,000
UAP Insurance, South Sudan	Juba Apartments	730,816	709,450
	Plot	53,637	52,853
UAP Properties, South Sudan	Equatoria Tower	2,652,347	2,109,094
UAP Insurance, Uganda	Plot	294,948	392,000
	Nakawa House	401,572	338,897
UAP Properties, Uganda	Nakawa Business Park	3,756,163	3,524,828
		17,989,976	17,423,319
	Transfer to Property, plant and Equipment	(1,531,328)	(1,410,607)
At end of year		16,458,648	16,012,712

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Investment properties (continued)

The Group's investment properties were revalued in December 2020 and 2019 by Knight Frank Valuers Limited, professional independent valuers in Kenya, South Sudan, Rwanda and Uganda respectively on the basis of open market and the comparative and income approach. 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 KShs 1,284million (2019: KShs 935million). Direct operating expenses arising on investment properties amounted to KShs 155million (2019: KShs 125million). All investment properties are classified as non-current assets. Transfers of investment property to property and equipment in 2020 and 2019 and relates to the reclassification of the owner-occupied portions of the properties.

Details of the Group's investment properties and information about fair value hierarchy as at 31 December are as follows:

KShs'000	2020	2019
Level 3	16,458,648	16,012,712
Fair value as at 31 December 2019	16,458,648	16,012,712

b) Company

KShs'000	2020	2019
At start of year	5,788,497	7,090,983
Fair value losses unrealised	14,296	(1,302,486)
At end of year	5,802,793	5,788,497

Details of the investment properties held by the Company are shown in the table below:

KShs'000	2020	2019
UAP Old Mutual Tower	16,012,712	5,610,000
Rwanda Land	192,793	178,497
Fair value as at 31 December 2019	5,802,793	5,788,497

Details of the Company's investment properties and information about fair value hierarchy as at 31 December are as follows:

KShs'000	2020	2019
Level 3	5,802,793	5,788,497
At end of year	5,802,793	5,788,497

The carrying value of the investment properties is the fair value of the property as determined by a registered independent valuer having an appropriate recognized professional qualification and experience in the category of the property being valued.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Investment properties (continued)

The investment properties are leased to third parties under operating leases as well as being partly occupied by companies of the Group though the owner-occupied portion (occupied by the UAP Group) has been reclassified to property and equipment in the consolidated financial statements. No contingent rents are charged. There is neither restriction on the realisability of the investment properties nor are there contractual obligations pegged to the investment properties.

All investment properties as at 31 December 2020 are measured at fair value.

The table below shows the valuation methodology used in measuring fair value of investment property as well as significant considerations used.

Valuation Methodology	Valuation Considerations	Valuation Bases
<p>The Income Approach was used to value the investment properties.</p> <p>The Income approach is predicated on the principal of anticipation which holds that the present value is indicated by the expectations of future benefits. This method is used for valuation of income producing properties. Given a known or estimated stream of net rental income, the end value is thus driven by the rate of return that is expected. The choice of return is made by comparison with such other investments as bear the nearest relationship in such matters as the physical characteristics, use and degree of risk and life of the investment.</p> <p>For the Income Approach market value can be expressed in a formula: Market Value = Annual Income/ Rate of Return or the capitalization rate (MV=A/R)</p>	<ol style="list-style-type: none"> 1. Passing Rents 2. Yield of asset class 3. Existing lease terms 4. Estimated occupancy levels over the holding period 5. Estimated reversionary rent 6. Estimated yield on reversion 7. 10 year holding period 8. Estimated rentals for vacant space 9. Irrecoverable landlord expenses 10. Estimated market growth rate and rent terms on expiry of current leases 	<p>Market Value is defined with in RICS Valuation - Professional Standards / International Valuation Standards as:</p> <p>"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."</p>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 Investments in subsidiaries

	Country of incorporation	Interest held	2020 KShs'000	2019 KShs'000
UAP Insurance Company Limited	Kenya	100%	600,000	600,000
UAP Life Assurance Limited	Kenya	100%	1,510,791	1,510,791
UAP Insurance Limited	S.Sudan	100%	339,442	339,442
UAP Insurance Limited	Uganda	53%	202,507	202,507
UAP Financial Services Limited	Kenya	100%	-	-
UAP Financial Services Limited	Uganda	89%	140,861	140,861
UAP Properties Limited	Uganda	79%	488,743	488,743
UAP Investments (Kenya) Limited	Kenya	100%	-	-
UAP Insurance Tanzania Limited	Tanzania	60%	-	-
UAP Rwanda Limited	Rwanda	100%	-	-
UAP Life Uganda Limited	Uganda	53%	497,019	640,538
UAP Properties Limited	S.Sudan	70%	-	-
UAP Africa Limited	Mauritius	100%	2,197,735	1,599,773
UAP Global Services Limited	Mauritius	100%	-	-
			5,977,098	5,522,655

During the year, the Company increased/(impaired) its investments in subsidiaries as follows:

KShs'000	Country of Incorporation	2020	2019
UAP Africa Limited	Mauritius	597,962	62,143
UAP Investments (Kenya) Limited	Kenya	-	(6,179)
UAP Life Uganda Limited	Uganda	(143,519)	250,323
Total		454,443	306,287

In 2020, there were no investments in subsidiaries made. However, during the year there was an increase in investments in UAP Africa, Mauritius, due to a re-evaluation of the discounted cashflows for the Tanzania business which resulted in a reversal of the impairment of KShs 598m which was effected in 2019. The Uganda Life business was impaired by KShs 143m during the year following an assessment for impairment performed by Old Mutual Investment Group using discounted cashflows.

In 2019, the business made additional investments in UAP Insurance Tanzania Limited of KShs 62m and UAP Old Mutual Life Assurance Uganda Limited of KShs 250m. The investment in UAP Insurance Tanzania Limited was made through UAP Africa Limited (Mauritius). The additional investment in UAP Old Mutual Life Assurance Uganda Limited was through the issue of preference shares to the Company. These preference shares do not hold voting rights, are to be held for a minimum of 5 years and thereafter redeemable at the discretion of UAP Old Mutual Life Assurance Uganda and have no rights to the residual assets of the company on liquidation. Management thus considers these to be non-dilutive in nature.

Annual assessments of goodwill are carried out for the Cash Generating Units (CGU's) acquired.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. Equity investments

The Group's equity investments are measured at fair value with fair value changes recorded through the income statements for different portfolios of equity investments, as follows:

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

KShs'000	2020	2019
At 1 January	4,035,923	3,293,090
Additions	56,679	195,739
Disposals	(2,082,800)	(235,891)
Fair value (losses)/gains charged to profit or loss	(314,263)	772,081
Translation difference	24,875	10,904
At end of the year	1,720,414	4,035,923

For purpose of the cashflow statement, the proceeds from sale of equity investments are KShs 1,742m (2019: KShs 198m) being the disposal amounts in note 19 (a) above plus loss on sale of equities of KShs 341m (2019: KShs 38m) as per note 6 (a).

(b) Equity investments (listed and unlisted)

KShs'000	2020	2019
(i) Listed securities		
At 1 January	3,918,961	3,174,843
Additions	56,679	195,739
Disposals	(2,082,800)	(234,384)
Fair value gains/(losses) charged to profit or loss	(308,926)	772,081
Translation difference	20,468	10,682
At end of the year	1,604,382	3,918,961
(ii) Unlisted securities		
At 1 January	116,962	118,247
Additions	-	-
Disposals	-	(1,507)
Fair value gains charged to other comprehensive income	(5,337)	-
Translation difference	4,407	222
At end of the year	116,032	116,962
Total equity investment (listed and unlisted)	1,720,414	4,035,923

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. Deferred acquisition costs

KShs'000	2020	2019
At 1 January	453,859	445,985
Additions	506,110	388,934
Amortisation charge	(476,529)	(381,023)
Translation difference	9,259	(37)
At end of the year	492,699	453,859

21. Reinsurers' share of policyholder liabilities (Group)

KShs'000	2020	2019
Reinsurers' share of:		
Unearned premium (Note 32)	1,346,533	1,175,873
Notified claims outstanding:		
- short term insurance (Note 30)	2,576,463	1,105,904
- long term insurance contract liabilities (Note 30)	196,394	156,343
Claims incurred but not reported short term insurance (Note 30)	676,953	562,965
At end of the year	4,796,343	3,001,085

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 30.

22. Loans and advances (Group)

KShs'000	2020	2019
At 1 January	313,149	306,412
Loans advanced	79,766	54,034
Loan repayments	(107,976)	(47,215)
Translation difference	1,469	(82)
At end of the year (Note 43(iii))	286,408	313,149

Maturity profile of loans

KShs'000	2020	2019
Loans maturing:		
Within 1 year	86,354	23,453
In 1-5 years	48,276	103,345
In over 5 years	151,778	186,351
At end of the year (Note 43(iii))	286,408	313,149

There is no concentration of credit risk with respect to the loans and advances.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. Other receivables and other assets

(a) Group

KShs'000	2020	2019
Prepayments	188,157	163,682
Accrued income	20,923	774,167
Staff debtors	149,286	105,394
Others	1,140,080	39,054
As at 31 December	1,498,446	1,082,297

(b) Company

KShs'000	2020	2019
Prepayments	70,749	60,733
Accrued income	-	770,840
Staff debtors	42,236	944
Others*	918,809	794,395
As at 31 December	1,031,794	1,626,912

Others include bank balances held in Chase Bank (K) Limited (in Receivership) amounting to KShs 47m (KShs 124m). The Bank was put under receivership on 7 April 2016 by the Central Bank of Kenya and was re-opened on 27 April 2016 under statutory management by the Kenya Deposit Insurance Corporation (KDIC). In 2018, State Bank of Mauritius (SBM) acquired Chase Bank (IR) and undertook to release 75% of customer deposits while 25% of the deposits were provided for. In 2020, the Group received KShs 47m with KShs 47m remaining under moratorium while the Company received KShs 8m out of KShs 16m held under moratorium. Under IFRS 9, all financial instruments have been re-evaluated under the expected credit loss model and adequately impaired in the financial statements.

24. Investments and government securities

(a) Corporate bonds

KShs'000	2020	2019
At 1 January	222,640	1,286,271
Redemptions	(165,146)	(661,365)
Fair value losses charged to profit or loss	(57,494)	(402,266)
As at 31 December	-	222,640
Corporate bonds - fair value	-	61,505
Corporate bonds - amortised cost	-	161,135
As at 31 December	-	222,640

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. Investments and government securities (continued)

(b) Government securities

KShs'000	2020	2019
Treasury bills and bonds maturing:		
Within 91 days	-	-
91 days to 1 year	1,174,375	1,223,362
In 1-5 years	5,609,725	4,040,053
After 5 years	13,042,286	11,087,890
As at 31 December	19,826,386	16,351,305
At 1 January	16,351,305	14,411,180
Purchases	3,438,326	1,914,873
Fair value losses charged to profit or loss	36,755	25,252
As at 31 December	19,826,386	16,351,305
Government securities – fair value	1,114,805	765,430
Government securities – amortised cost	18,711,581	15,585,875
As at 31 December	19,826,386	16,351,305
Investments & government securities at 31 December	19,826,386	16,573,945

25. Cash and cash equivalents

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

(a) Group

KShs'000	2020	2019
Cash and bank balances	1,852,250	1,360,786
Impairment losses	(8,104)	(59,346)
Net cash and bank balances	1,844,146	1,301,440
Deposits with financial institutions	9,111,413	6,692,571
Impairment losses	(93,860)	(70,096)
Net deposits with financial institutions	9,017,553	6,622,475
As at 31 December	10,861,699	7,923,915

(b) Company

KShs'000	2020	2019
Cash and bank balances	104,002	22,651
Impairment losses	(4)	(225)
Net cash and bank balances	103,998	22,426
Deposits with financial institutions	277,830	72,942
Impairment losses	(9)	(1,208)
Net deposits with financial institutions	277,821	71,734
As at 31 December	381,819	94,160

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. Retirement benefit obligation

Description of plan

The Group operates a funded final salary defined benefit pension scheme. The Fund is closed to new members with effect from 31 December 2014 and to future accrual of benefits with effect from 30 June 2016. All employees now contribute to the UAP Staff Pension (DC) Scheme ("the DC Scheme"). These Disclosures are in respect of the Fund and exclude the DC Scheme. The Fund is established under irrevocable trust. The Fund assets are invested in quoted equities, government securities, corporate bonds, fixed deposits and in a guaranteed fund.

The amounts recognised in the statement of financial position are determined as follows:

KShs'000	2020	2019
Opening retirement benefit asset	-	-
Adjustments through statement of profit or loss		
Expected Return on Assets	(42,325)	(48,674)
Current and past service cost	5,975	4,875
Year 2019 - Interest cost	42,713	48,991
Total adjustment through profit or loss	6,363	5,192
Adjustments through other comprehensive income		
Actuarial (loss)/gain due to experience/financial assumptions	1,636	(39,421)
Settlement loss	(1,663)	27,387
Return on plan assets	(6,336)	6,842
Total adjustment through other comprehensive income	(6,363)	(5,192)
Present value of over/under-funding	-	-

The movement in the fair value of funded obligations is as follows:

KShs'000	2020	2019
At start of year	177,208	310,774
Current service cost	5,975	4,875
Interest cost	20,166	32,189
Actuarial (Gain)/Loss due to experience	(1,663)	(39,421)
Benefits paid	(50,129)	(131,209)
As at 31 December	151,557	177,208

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. Retirement benefit obligation (continued)

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

KShs'000	2020	2019
At start of year	350,646	440,023
Interest on scheme assets	42,325	48,674
Actuarial gains/(losses)	(1,636)	(6,842)
Benefits paid	(50,129)	(131,209)
As at 31 December	341,206	350,646

KShs'000	2020	2019
Present value of funded obligations	151,557	177,208
Fair value of plan assets	(341,206)	(350,646)
Effect of asset ceiling	189,649	173,438
As at 31 December	-	-

Plan assets comprise:

KShs'000	2020		2019	
At start of year	18,164	5.32%	10,722	3.06%
Interest on scheme assets	253,207	74.21%	275,395	78.54%
Benefits paid	69,835	20.47%	64,529	18.40%
As at 31 December	341,206	100.00%	350,646	100%

The amounts recognised in the profit or loss for the year are as follows:

KShs'000	2020	2019
Current service cost net of contributions	(5,975)	(4,875)
Net interest cost	(42,713)	(48,991)
Return on scheme assets (excluding interest)	42,325	48,674
Change in effects of asset ceiling	-	-
Total change included in employee benefit expense (note 10 (a))	(6,363)	(5,192)

Financial Assumptions

The principal actuarial assumptions used were as follows:

KShs'000	2020	2019
Discount rate	13.3%	13.0%
Future salary increases	8.0%	8.0%
Future pension increases	3.0%	3.0%
Normal retirement age (years)	60	60

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. Retirement benefit obligation (continued)

Demographic Assumptions

The principal demographic assumptions used were as follows:

- Mortality
 - ◇ Pre-retirement: A1949/52 mortality table (as per the previous valuation) was assumed
 - ◇ Post-retirement: The a(55) life table was assumed.
 - ◇ AIDS: No allowance for additional deaths due to the impact of AIDS has been made.
- Retirement
 - ◇ It was assumed that members will retire at their Normal Retirement Date. No allowance for ill-health retirement, early retirement or late retirement was made. Sensitivity analysis of the above actuarial assumptions

The sensitivity of the defined benefit obligation to the financial assumptions has been assessed by increasing and decreasing the discount rate assumption by 0.5%.

Defined benefit obligations

2020

Discount rate	12.8%	13.30%	13.80%
Total accrued liability	152,315	151,557	150,799
Change	1.0%		0.5%

2019

Discount rate	12.5%	13%	13.5%
Total accrued liability	178,094	177,208	176,322
Change	1%	-	0.5%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. Insurance contract liabilities

KShs'000	2020	2019
Short term insurance contracts		
- claims reported and claims handling expenses	6,263,961	4,140,212
- claims incurred but not reported	2,098,607	1,924,205
As at 31 December	8,362,568	6,064,417
Long term contracts		
- claims reported and claims handling expenses	9,086,519	7,681,888
As at 31 December	17,449,087	13,746,305

Movements in insurance liabilities and reinsurance assets are shown in Note 30.

(i) Short term insurance contracts liabilities

Gross claims reported, claims handling expense 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 2020 and 31 December 2019 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.

KShs'000	Accident year					Total
	2016	2017	2018	2019	2020	
Estimate of ultimate claims costs						
At end of accident year	6,664,874	7,343,883	8,516,409	9,422,638	10,508,253	42,456,057
One years later	8,797,649	7,123,527	10,239,339	10,796,365	-	36,956,880
Two years later	9,079,169	7,302,853	10,280,115	-	-	26,662,137
Three years later	9,113,692	7,352,203	-	-	-	16,465,895
Four years later	9,058,940	-	-	-	-	9,058,940
Current estimate of cumulative claims	9,058,940	7,352,203	10,280,115	10,796,365	10,508,253	47,995,876
Less: Cumulative payments to date	(8,863,430)	(7,024,585)	(9,711,990)	(10,090,450)	(6,890,781)	(42,581,236)
Liability in the Balance sheet	195,510	327,618	568,125	705,915	3,617,472	5,414,640
Liability in respect of prior years	-	-	-	-	1,087,408	1,087,408
Incurred but not reported	-	-	-	-	1,860,520	1,860,520
Total gross claims liability included in the balance sheet	195,510	327,618	568,125	705,915	6,565,400	8,362,568

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. Insurance contract liabilities (continued)

(ii) Long term business contracts

The Group determines its liabilities on long term insurance contracts by conducting Actuarial Valuations 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 Appointed Actuaries and actuarial valuations are carried out on an annual basis.

Actuarial valuation assumptions

The latest actuarial valuations of the life funds were carried out as at 31 December 2020 by the Internal Actuarial Function and reviewed by QED Actuaries & Consultants (Pty) Ltd and Zamara Actuaries, Administrators & Consultants Ltd.

The valuation of the UAP Life Kenya Ltd (UAPLK) life fund has been conducted on two bases; the Published/Internal Reporting Basis (PRB) and the Statutory RBC basis. Both are discounted cash flow GPV bases with ASSA SAP104 (version 9) margins applied on the published basis and IRA margins applied on the Statutory RBC as required by the Insurance Act (as amended).

The valuation of the UAP Old Mutual Life Assurance Uganda Ltd (UAPLUG) life fund has been conducted on a single basis which is a discounted cashflow basis with ASSA SAP104 (version 9) margins applied.

The Gross Premium valuation (GPV) method places a realistic value (with an appropriate allowance for margins) on the liabilities of a life insurance Company. This method is based on a discounted cash flow approach taking into account the expected cash flows from existing in-force 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:

a) **Mortality** – The Company used the following tables as base tables of standard mortality;

I. UAP Life Kenya Published Basis - SA56-62 (2019: SA56-62)

II. UAP Life Kenya Statutory Basis - KE07-10 (2019: KE07-10)

III. UAP Old Mutual Life Uganda – SA85-90 (2019: SA85-90)

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(90) (2019: a(90)) life table was used as a base; no allowance is made for future mortality improvements.

Persistency – The Company 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 largely according to the experience observed (by the Appointed Actuary) in the Company's data.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. Insurance contract liabilities (continued)

(iii) Long term business contracts

Investment return assumptions are derived with reference to the expected return on long term fixed interest investments available and adjusted to reflect the actual underlying mix of assets. For the current valuation, the base discount rates used are;

- I) UAP Life Kenya – 10.21% p.a. (2019: 11.1% p.a.) for the published basis and the prevailing NSE yield curve as at 31st December 2020 with a margin of 3.2% used to value annuity contracts.
- II) UAP Life Kenya RBC basis - The prevailing NSE Yield curve as at 31st December 2020 was used as per the amended act and RBC guidelines.
- III) UAP Life Uganda – 12% (2019: 12%)
- IV) Expenses, tax and inflation – The current level of renewal expenses was taken to be an appropriate expense base. Expenses pertaining to business establishment and expansion were excluded from the valuation assumption. The expense inflation applied for the UAP Life Kenya valuation on both bases is assumed to be 7.5% p.a. (2019: 7.5% p.a.) while for UAP Old Mutual Life Uganda the inflation rate assumed is 7% (2019: 7%). It has been assumed that the current tax legislation and rates continue unaltered.

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.

	Change in variable	Increase in liability 2020 KShs'000	Increase in liability 2019 KShs'000
Contracts with fixed and guaranteed terms – Variable cost			
Worsening of mortality	+10%	48,162	433,834
Lowering of investment returns p.a.	-1%	308,818	2,788,763
Worsening of expense inflation rate	+1%	39,770	366,714
Worsening of lapse rate	+10%	(8,469)	(684,734)
		388,281	2,904,577

28. Amounts payable under deposit administration contracts

Deposit administration contracts are recorded at amortized 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 6% for the year (2019: 9 %).

KShs'000	2020	2019
At start of year	4,940,271	4,441,210
Pension fund deposits received	629,294	901,721
Surrenders and annuities paid	(675,680)	(1,003,802)
Interest payable to policyholders	37,005	495,287
Other movements	128,544	102,220
Translation difference	53,537	3,635
As at 31 December	5,112,971	4,940,271

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. 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.

KShs'000	2020	2019
At start of year	828,256	859,754
Premium received	33,501	29,670
Interest credited	(234,885)	145,287
Liabilities released for payment	(36,472)	(174,063)
Other movements	4,711	(32,800)
Translation difference	4,129	408
As at 31 December	599,240	828,256

Other movements relate to increase in actuarial liabilities.

30. Movements in insurance liabilities and reinsurance assets

KShs'000	31 December 2020			31 December 2019		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Short term insurance business						
Notified claims	4,258,705	(1,105,904)	3,152,801	4,685,946	(1,243,914)	3,442,032
Incurred but not reported	1,805,713	(562,965)	1,242,748	1,668,491	385,221)	1,283,270
Total at beginning of year	6,064,418	(1,668,869)	4,395,549	6,354,437	(1,629,135)	4,725,302
Cash paid for claims settled in year	((4,477,548)	832,343	(3,645,205)	(4,723,933)	624,277	(4,099,656)
Increase in liabilities						
- arising from current year claims	2,617,712	(1,943,968)	673,744	1,528,360	(180,076)	1,348,284
- arising from prior year claims	4,003,433	(418,667)	3,584,766	2,925,256	(492,248)	2,433,008
Translation difference	154,553	(54,255)	100,298	(19,703)	8,313	(11,390)
As at 31 December	8,362,568	(3,253,416)	5,109,152	6,064,417	(1,668,869)	4,395,548
Notified claims	6,263,964	(2,576,463)	3,687,501	4,258,704	(1,105,904)	3,152,800
Incurred but not reported	2,098,604	(676,953)	1,421,651	1,805,713	(562,965)	1,242,748
As at 31 December	8,362,568	(3,253,416)	5,109,152	6,064,417	(1,668,869)	4,395,548
Long term insurance business						
At 1 January	7,643,118	(156,343)	7,486,775	6,016,551	(206,011)	5,810,540
Premium received/valuation premium	2,659,251	(299,856)	2,359,395	2,398,812	(295,664)	2,103,148
Liabilities released for payments and interest credited	(1,447,995)	260,499	(1,187,496)	(748,419)	345,273	403,146
Translation difference	232,145	(694)	231,451	14,944	58	15,002
As at 31 December	9,086,519	(196,394)	8,890,125	7,681,888	(156,344)	7,525,544
Total as at 31 December	17,449,087	(3,449,810)	13,999,277	13,746,305	(1,825,213)	11,921,092

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. Borrowed funds

(a) Group

KShs'000	2020	2019
At start of year	11,412,672	11,098,307
Proceeds/(Repayments) from borrowings	404,273	(910,663)
Interest cost payable	1,146,368	1,229,538
Unrealised forex loss on borrowings	(13,401)	(70,936)
Translation difference	116,418	66,426
As at 31 December	13,066,330	11,412,672

The breakdown of the borrowings is shown below:

Lender	Borrower	Maturity	2020 KShs'000	2019 KShs'000
Old Mutual Holdings Limited (Short term financing)	UAP Holdings Plc	2022	6,859,905	3,354,595
Old Mutual Holdings Limited (subordinated debt)	UAP Holdings Plc	2022	2,001,953	1,720,752
Nedbank Group	UAP Holdings Plc	2020	-	3,141,432
Stanbic Bank Limited	UAP Holdings Plc	2021	2,238,085	2,247,104
State Finance Corporation (SFC)	UAP Insurance South Sudan	2024	437,316	243,240
Trade and Development Bank (formerly PTA Bank)	UAP Properties Limited Uganda	2023	-	233,042
DFCU Holdings	UAP Properties Limited Uganda	2028	1,161,061	-
Norfund	UAP Properties South Sudan	2023	184,005	236,023
International Finance Corporation (IFC)	UAP Properties South Sudan	2023	184,005	236,484
As at 31 December			13,066,330	11,412,672

(b) Company

KShs'000	2020	2019
At start of year	10,463,883	9,887,108
(Repayments)/proceeds from borrowings, net of transaction costs	(405,647)	(589,490)
Finance costs - interest on borrowings	1,041,707	1,166,265
As at 31 December	11,099,943	10,463,883

On 17 July 2019, the Group obtained a KShs 2.2 billion loan from Stanbic Bank to repay the corporate bond that was maturing then. The loan is an 18-month facility at an interest rate of Central Bank Rate (CBR) + 1.5%. This amount was refinanced in February 2021. The business has three facilities with Old Mutual Holdings Ltd:

1. USD 16.5 million which bears an interest rate of 3 months LIBOR plus 7.5% and KShs 1 billion at interest rate of 12.5%;
2. Subordinated loan of USD 13.7m at an interest rate of 3 months LIBOR + 8.45%.
3. Short-term loan of KES 3 billion at an interest rate of CBR + 4.1%. This was used to repay the Nedbank Ltd loan of USD 31m that matured in 2020.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. Borrowed funds (continued)

UAP Properties Uganda took a USD 11.2 million loan from DFCU Bank in 2020 to refinance the existing Trade and Development Bank loan (formerly PTA Bank) and to repay internal debt owed to UAP Holdings Plc (all related to the construction of Nakawa Business Park). The new loan is an 8-year facility at an interest rate of 3-month LIBOR plus 4.5%.

Construction of UAP Equatoria Tower, a project undertaken by UAP Properties South Sudan, was partly financed through Norwegian Investment Fund for Development (Norfund) - USD 5 million and International Finance Corporation (IFC) - USD 5 million. The borrowings are repayable in 7 years beginning 2017 and bear an interest rate of LIBOR plus 6.5% payable semi-annually.

UAP Insurance South Sudan also assisted in financing the project through a 5-year loan with SFC Finance Limited which is a USD 6 million facility at an interest rate of 9.5%. In 2020, the term of this loan was extended by a further 3 years. It is now set to mature in 2024.

Breaches

During the year, a breach was recorded for the Norfund and IFC facilities in UAP Properties South Sudan. The balance outstanding on the two facilities as at 31 December 2020 was United States dollars (USD) 3.3 million split equally between both lenders. Repayments continue to be made on the loans timeously. To remedy the breach, management is engaging the lenders to renegotiate the covenants.

32. Unearned premium reserve

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:

KShs'000	31 December 2020			31 December 2019		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At beginning of the year	6,490,536	(1,175,873)	5,314,663	7,021,818	(1,441,813)	5,580,005
Increase in the year	602,977	(167,706)	435,271	(528,471)	265,848	(262,623)
Translation difference	42,393	(2,954)	39,439	(2,811)	92	(2,719)
As at 31 December	7,135,906	(1,346,533)	5,789,373	6,490,536	(1,175,873)	5,314,663

33. Creditors arising from reinsurance arrangements

KShs'000	2020	2019
At start of year	1,057,647	1,175,563
Additions / (repayments)	77,029	(108,312)
Translation difference	61,509	(9,604)
As at 31 December	1,196,185	1,057,647

NOTES TO THE FINANCIAL STATEMENTS (Continued)

34. Other payables and other liabilities

(a) Group

KShs'000	2020	2019
Deferred income	36,364	170,575
Accrued expenses	866,644	928,498
Accrued leave	64,374	70,232
Withheld taxes	137,786	210,551
Other liabilities	3,228,308	1,425,829
As at 31 December	4,333,476	2,805,685

There are no individually significant items under other liabilities category. Included in the other liabilities are provisions for unpaid withholding taxes and provisions for staff costs

(b) Company

KShs'000	2020	2019
Accrued expenses	132,785	77,076
Accrued leave	23,110	22,463
Other liabilities	1,443,374	525,775
Total	1,599,269	625,314

There are no individually significant items under other liabilities category. Included in the other liabilities are provisions for unpaid withholding taxes and provisions for staff costs

35. Dividends

KShs'000	2020	2019
At beginning of the year	443,086	473,103
Increase in the year	-	-
Payments	(27,316)	(30,017)
Total	415,770	443,086

The Directors do not recommend the payment of a dividend (2018: Nil). Payment of dividends is subject to withholding tax at a rate of either 0%, 5% or 10% depending on the nature and residence of the respective shareholders.

36. Ordinary share capital and share premium account

The total authorised number of ordinary shares is 220 million (2018: 220 million) with a par value of KShs 5 per share. At 31 December 2019, 212 million ordinary shares were in issue and were fully paid.

	Number of shares (thousands)	Ordinary shares KShs'000	Share premium KShs'000
Balance at 1 January 2019	211,718	1,058,590	4,612,626
At 31 December 2019	211,718	1,058,590	4,612,626

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets. Ordinary shares are classified as share capital in equity. Any premium received over and above the par value of the shares is classified as share premium.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

36. Ordinary share capital and share premium account (continued)

In 2019, 298,000 UAP Holdings PLC (formerly UAP Holdings Limited) shares worth approximately KShs 1.49 million were issued at par value (i.e., KShs 5.00) for the distribution of shares to Old Mutual Life Assurance Company (OMLAC) minorities. This was part of a share swap arrangement availed to OMLAC minorities.

37. Retained earnings

The retained earnings balance represents the amount available for dividend distribution to the shareholders of the Company, except for cumulative fair value profit on the investment properties of KShs 1,262 million (31 December 2019 : KShs 1,373 million) whose distribution is subject to restrictions imposed by regulation.

38. 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.

39. Reserves

(i) Translation reserve

The translation reserve compiles all foreign currency differences arising from the translation of the financial statements of foreign operations. The translation reserve is not distributable to shareholders unless the foreign operation is abandoned or closed.

ii) Statutory reserve

The statutory fund reserves balance represents cumulative statutory reserves and relates to the unappropriated UAP Life Assurance Limited fund surplus/(deficit) net of the corresponding deferred tax.

(iii) Contingency reserve

The contingency reserve represents amounts set up in the Group's Ugandan insurance-based subsidiaries 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 Insurance Uganda Limited.
- 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.

In addition, the Insurance Act in Tanzania requires that a minimum capital is maintained which is the higher of 50% of Net Written Premiums and the minimum statutory requirement. Further the act requires that a contingent reserve be established which is:

- the higher of 3% of net written premium and
- 20% of net profit.

As at 31st December 2020, the subsidiaries held a contingent reserve of KShs 445m (2019: KShs 416m).

(iv) Revaluation Surplus

The revaluation surplus represents upward movement in the proportion of owner-occupied Investment Properties transferred to Property and Equipment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

40. Cash generated from operations

Reconciliation of profit before tax to cash generated from operations

(a) Group

KShs'000	2020	2019
Loss before tax	(1,047,985)	(3,228,975)
Adjustments for:		
Investment income (Note 6 (a))	(3,832,632)	(633,864)
Depreciation - Property & equipment (Note 15)	273,729	283,507
Depreciation - Right of use asset (Note 16)	94,629	89,080
Impairment loss (Note 15)	20,116	469,115
Amortisation (Note 14)	79,897	59,147
Interest cost - borrowings (Note 31)	1,146,368	1,229,538
Interest cost - lease liability (Note 44)	153,786	59,620
Write off - Work-in-Progress (Note 15)	71,072	-
Miscellaneous income (Note 6 (a))	190,065	(14,422)
Net impairment on financial assets (Note 4(b))	(165,113)	(169,602)
Changes in:		
Insurance contract liabilities (net)	3,702,782	1,375,317
Deposit administration contracts	172,700	499,061
Unit-linked contracts	(229,016)	(31,498)
Unearned premium (net)	645,370	(531,282)
Re-insurance and other payables	1,639,285	(355,304)
Direct insurance, re-insurance and other receivables (including foreign exchange movements)	(2,108,584)	2,101,959
Deferred acquisition costs	(38,840)	(7,874)
Retirement benefit asset	6,363	5,192
Cash generated from operations	773,992	1,198,715

(b) Company

KShs'000	2020	2019
Loss before tax	(2,016,689)	(830,823)
Adjustments for:		
Investment income (Note 6 (b))	(1,418,196)	(778,405)
Depreciation - right of use assets (Note 16 (b))	4,811	4,500
Depreciation - Property and equipment (Note 15 (b))	66,470	70,572
Depreciation - transfer from related party (Note 15 (b))	8,457	-
Amortisation (Note 14 (b))	75,081	59,167
Interest costs (Note 31 (b))	1,041,707	1,166,265
Interest costs - lease liability (Note 44)	4,233	4,243
Miscellaneous income (Note 6 (b))	3,362	29,103
Net impairment of Investment in subsidiaries (Note 18)	(454,443)	-
Loss on disposal (Note 15 (b))	262	-
Write off of working in progress (Note 15 (b))	17,107	-
Changes in:		
Other payables	973,955	(1,419,541)
Other receivables (including foreign exchange movements)	550,580	(299,327)
Net movements in related party balances	498,662	824,637
Cash generated from operations	(644,641)	(1,169,609)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

41. Contingent liabilities

Legal Proceedings

The holding Company, UAP Holdings Plc, has a pending legal suit against the Company seeking a declaration that the sale of the property known as Land Reference No. 209/13453 Upper hill, Nairobi and on which the development known as UAP Old Mutual Towers sits, is null and void. On 30 April 2020, the Court ruled in our favour and agreed with our contention and arguments rendering the title clean. The plaintiff's estate then filed a Notice of Appeal in the Court of Appeal but did not file the appeal however there has been no movement in the case since then and it is unlikely the plaintiff will pursue the appeal, therefore the matter has now been held in abeyance. Management, based on legal advice, do not foresee the appeal being successful and has therefore made no provision in the financial statements.

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.

Tax contingent liabilities

In 2016, the Kenya Revenue Authority (KRA) carried out an audit of UAP Life Assurance Limited's tax affairs for the periods January 2011 to December 2014 and issued an assessment of KShs 68 million under the tax heads of Excise Duty, Pay As You Earn (PAYE) and Corporation Tax. UAP Life Assurance Limited resolved to pay the principal tax amounts of the Corporation Tax and Excise Duty but objected on the PAYE assessment. On 4th November 2019, the High Court ruled that tied agents were not employees hence the PAYE assessed was not payable. KRA gave a notice to appeal the case in the court of appeal. We await the appeal process on the matter.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

42. Financial instruments by category

(a) Financial assets

i) Group

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

KShs'000	2020	2019
At amortised cost	39,259,349	31,108,355
At fair value	2,835,219	4,862,858
As at 31 December	42,094,568	35,971,213
(i) Financial assets at amortised cost		
Government securities	18,711,581	15,585,875
Corporate bonds	-	161,135
Receivables arising out of direct insurance arrangements	1,596,639	1,452,956
Receivables arising out of reinsurance arrangements	1,174,377	1,342,007
Reinsurers' share of insurance liabilities	4,796,343	3,001,085
Other receivables	1,498,446	1,082,297
Amounts due from related parties	333,856	245,936
Deposits with financial institutions	9,017,553	6,622,475
Cash and bank balances	1,844,146	1,301,440
Mortgage loans receivable	286,408	313,149
As at 31 December	39,259,349	31,108,355
(ii) Financial assets at fair value		
Equity investments:		
At fair value through profit or loss	1,720,414	4,035,923
Corporate bonds	-	61,505
Government securities	1,114,805	765,430
As at 31 December	2,835,219	4,862,858

ii) Company

The Company's financial assets are summarised by measurement category in the table below:

KShs'000	2020	2019
At amortised cost	4,238,087	1,568,509
At fair value	-	-
As at 31 December	4,238,087	1,568,509
KShs'000		
(i) Financial assets at amortised cost		
Other receivables	3,856,268	1,474,349
Deposits with financial institutions	277,821	71,734
Cash and bank balances	103,998	22,426
As at 31 December	4,238,087	1,568,509

The Company does not have financial assets held at fair value.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

42. Financial instruments by category (continued)

(b) Financial liabilities

Except for unit-linked investment contracts, which are measured at fair value, 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 2020 and 2019 is shown in note 4(b).

43. Related party transactions

The Group is controlled by Old Mutual Limited incorporated in South Africa being the ultimate parent of the Group. There are other companies that are related to UAP Holdings Plc through common shareholdings or common directorships.

The following transactions were carried out with related parties:

KShs'000	2020	2019
i) Administration of staff pension scheme - Group		
Contributions paid	174,546	184,196
Benefits paid	83,480	94,423
ii) Balances with related parties - Company		
Interest paid to UAP Insurance Kenya	34,911	52,027
Interest received from UAP Properties South Sudan	27,011	28,860
Interest received from UAP Insurance South Sudan	1,736	-
Interest received from UAP Properties Uganda	139,412	165,049
iii) Balances with related parties - Group		
Nedbank loan (note 31)	-	3,141,432
Old Mutual Holdings Limited (note 31)	8,861,858	5,078,132
Loans and advances (note 22)	286,408	313,149
	9,148,266	8,532,713
Mortgages to staff are fully secured on the mortgage properties and are charged interest at 6% (2019: 6%).		
iv) Payables to related parties - Group		
Faulu Micro Finance Bank	-	27,168
Old Mutual Securities Limited	124	-
As at 31 December	124	27,168
iv) Payables to related parties - Company		
UAP Insurance Kenya	165,783	599,079
UAP Insurance Uganda	36,382	-
As at 31 December	202,165	599,079
Total payable to related parties	202,289	626,247

NOTES TO THE FINANCIAL STATEMENTS (Continued)

43. Related party transactions (continued)

KShs'000	2020	2019
v) Receivable from related parties - Group		
Old Mutual Investment Group Limited	24,692	34,974
Old Mutual Life Assurance Company Limited	10,556	13,606
Old Mutual Africa Holding	70,155	28,428
Old Mutual Holdings Limited	224,271	152,711
Old Mutual Investment Services	-	16,217
Faulu Micro Finance Bank	4,182	-
As at 31 December	333,856	245,936
v) Receivable from related parties - Company		
UAP Life Assurance Kenya	96,400	62,051
UAP Life Assurance Uganda	876	963
UAP Insurance South Sudan	220,139	110,794
UAP Properties Uganda	1,523,101	2,176,728
UAP Insurance Uganda	-	11,990
UAP Properties South Sudan	191,330	147,749
UAP Insurance Rwanda	16,092	16,458
UAP Investments Kenya	276	1,480
UAP Global Services Mauritius	914,910	1,459,334
UAP Africa Mauritius	17,110	14,716
UAP Insurance Tanzania	196,188	97,053
UAP Financial Services, Uganda	150	-
As at 31 December	3,176,572	4,099,316
Total receivable from related parties	3,510,428	4,345,252

The amounts payable to related parties have no specific repayment date.

43. Related party transactions (continued)

	2020 Kshs '000	2019 Kshs '000
vi) Key management compensation - Group		
Salaries (including executive directors' salaries)	583,218	623,047
Retirement benefits costs	51,816	59,377
	635,034	682,424
vi) Key management compensation - Company		
Salaries (Including executive directors' salaries)	277,358	178,438
Retirement benefits costs	18,252	14,144
	295,610	192,582
vii) Directors emoluments - Group		
Executive salaries (included in key management compensation above)	77,018	81,189
Fees	95,599	102,507
Other remuneration	9,090	7,715
	181,707	191,411
vii) Directors emoluments - Company		
Executive salaries (included in key management compensation above)	77,018	39,137
Fees	21,145	20,771
Other remuneration	5,198	5,454
	103,361	65,362
viii) Leases - Group		
Old Mutual Investment Group	5,646	4,886
Old Mutual Life Assurance Company Limited	35,722	30,930
Old Mutual Services Limited	1,355	1,253
Faulu Micro Finance Bank	240	180
	42,963	37,249
viii) Leases - Company		
Old Mutual Investment Group	5,646	4,886
Old Mutual Life Assurance Company Limited	35,722	30,930
Old Mutual Services Limited	1,355	1,253
Faulu Micro Finance Bank	240	180
UAP Insurance Kenya Limited	50,288	43,590
UAP Life Assurance Limited	10,878	9,432
	104,129	90,271

NOTES TO THE FINANCIAL STATEMENTS (Continued)

44. Operating lease agreements

(a) The Group as a lessor

Rental income earned during the year was KShs 1,284m; 2019 (KShs 935m). At the reporting date, the Group had contracted with tenants for the following future lease receivables:

The following table sets out the maturity analysis of lease settlements, showing the undiscounted lease settlements from tenants to be received after the reporting date.

KShs'000	2020	2019
Less than one year	498,008	836,333
One to two years	725,243	1,248,356
Two to three years	615,709	618,705
Three to four years	558,539	499,633
Four to five years	297,298	478,723
More than five years	125,390	184,273
	2,820,187	3,866,023

Leases are negotiated for an average term of 6 years and rentals are reviewed every two years. The leases are cancellable with a penalty when the tenants do not give three months' notice to vacate the premises.

(b) The Group as a lessee

At the reporting date, the Group had outstanding commitments under operating leases which fall due as follows:

KShs'000	2020	2019
Less than one year	65,466	159,081
One to two years	371,057	182,050
Two to three years	289,851	119,575
Three to four years	162,567	101,648
Four to five years	152,493	107,772
More than five years	226,530	771,001
	1,267,964	1,441,127

Operating lease payments represent rentals payable by the Company for its branch premises. Leases are negotiated for an average term of 5 years.

Lease liabilities movement for the year was;

KShs'000	Lease liability	Restoration provisions	Total
At 1 January 2020	506,392	15,216	521,608
Interest charge	153,786	-	153,786
Additions to right of use assets	74,273	1,953	76,226
Derecognition of right of use assets	(70,277)	(1,460)	(71,737)
Payment	(132,957)	-	(132,957)
Translation	8,751	85	8,836
At 31 December 2020	539,968	15,794	555,762

NOTES TO THE FINANCIAL STATEMENTS (Continued)

44. Operating lease agreements (continued)

KShs'000	Lease liability	Restoration provisions	Total
At 1 January 2019	489,594	14,089	503,683
Interest charge	59,620	-	59,620
Additions to right of use assets	72,573	1,289	73,862
Payment	(113,486)	-	(113,486)
Translation	(1,909)	(162)	(2,071)
At 31 December 2019	506,392	15,216	521,608

(c) The Company as a lessor

Rental income earned during the year was KShs 364m (2019: 317m). At the reporting date, the company had contracted with tenants for the following future lease receivables:

KShs'000	2020	2019
Less than one year	378,240	364,494
One to two years	395,729	380,625
Two to three years	405,779	390,105
Three to four years	426,106	408,902
Four to five years	299,099	393,754
More than five years	-	162,234
Total	1,904,953	2,100,114

Leases are negotiated for an average term of 6 years and rentals are reviewed every two years. The leases are cancellable with a penalty when the tenants do not give three months' notice to vacate the premises.

(d) The Company as a lessee

At the reporting date, the Company had outstanding commitments under operating leases which fall due as follows:

KShs'000	2020	2019
Less than one year	7,073	19,316
One to two years	14,627	41,510
Two to three years	15,284	23,940
Total	36,984	84,766

NOTES TO THE FINANCIAL STATEMENTS (Continued)

44. Operating lease agreements (continued)

Operating lease payments represent rentals payable by the Company for its branch premises. Leases are negotiated for an average term of 5 years.

Lease liabilities movement for the year was:

KShs'000	Lease liability	Restoration provisions	Total
At 1 January 2019	39,112	278	39,390
Interest charge	4,233	-	4,233
Additions to right of use assets	-	-	-
Sub lease payment	(1,303)	-	(1,303)
Payment	(5,703)	-	(5,703)
At 31 December 2019	36,339	278	36,617

KShs'000	Lease liability	Restoration provisions	Total
At 1 January 2019	11,270	278	11,548
Interest charge	4,243	-	4,243
Additions to right of use assets	29,966	-	29,966
Sub lease payment	(1,169)	-	(1,169)
Payment	(5,198)	-	(5,198)
At 31 December 2019	39,112	278	39,390

45. Non-controlling interest (NCI)

KShs '000'	UAP Insurance Limited (Uganda)	UAP Life Assurance Limited (Uganda)	UAP Financial Services Limited (Uganda)	UAP Properties Limited (Uganda)	UAP Properties Limited (Sudan)	UAP In-surance (Tanzania)	Intra-group eliminations	Total
NCI Percentage	47.00%	47.00%	11.35%	21.15%	30.00%	40.00%	-	-
Assets	7,423,074	5,334,026	286,746	4,030,266	3,454,906	2,147,385	-	22,676,403
Liabilities	5,307,766	5,112,122	69,648	3,290,437	5,061,969	1,484,713	-	20,326,655
Net assets	2,115,308	(221,904)	217,098	739,839	(1,607,063)	662,672	-	2,349,748
Net assets attributable to NCI	994,196	104,295	24,641	156,474	(482,119)	265,068	(542,676)	519,879
Revenue	3,043,587	1,970,045	254,852	(39,989)	84,838	658,941	-	5,972,274
Profit/(loss)	139,869	(46,607)	110,753	(408,460)	(466,971)	(120,488)	-	(791,904)
OCI	151,778	18,166	12,204	69,099	(92,632)	50,141	-	208,756
Comprehensive income								
Profit/(loss) allocated to NCI	65,738	(21,905)	12,570	(86,389)	(140,091)	(48,195)	-	(218,272)
OCI allocated to NCI	71,337	8,538	1,385	14,614	(27,790)	20,056	-	88,140
Total comprehensive income	137,075	(13,367)	13,955	(71,775)	(167,881)	(28,139)	-	(130,132)
cash flows from operating activities	530,048	2,239,203	61,348	107,299	331,042	115,306	-	-
cash flows from investment activities	323,112	(1,100,431)	(21,529)	(325)	(184,097)	(38,263)	-	-
cash flows from financing activities (dividends to NCI: nil)	(95,866)	50,782	(16,837)	(31,808)	(145,653)	631	-	-
Net increase/(decrease) in cash and cash equivalents as at 31 December 2020	757,294	1,189,554	22,982	75,166	1,292	77,674	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

45. Non-controlling interest (NCI) (continued)

The following table summarizes the information relating to each of the Group subsidiaries that has material NCI before any intra-group eliminations.

KShs '000'	UAP Insurance Limited (Uganda)		UAP Life Assurance Limited (Uganda)		UAP Financial Services Limited (Uganda)		UAP Properties Limited (Uganda)		UAP Properties Limited (Sudan)		UAP Insurance (Tanzania)		Intra-group eliminations	Total
	47.00%	47.00%	11.35%	21.15%	30.00%	40.00%	30.00%	40.00%	30.00%	40.00%	40.00%			
NCI Percentage	47.00%	47.00%	11.35%	21.15%	30.00%	40.00%	30.00%	40.00%	30.00%	40.00%	40.00%			
Assets	5,742,588	4,325,568	139,735	4,123,333	3,379,722	2,208,663	3,379,722	2,208,663	3,379,722	2,208,663	2,208,663	-	19,919,609	
Liabilities	3,918,928	4,073,899	45,592	3,044,144	4,427,182	1,475,643	4,427,182	1,475,643	4,427,182	1,475,643	1,475,643	-	16,985,388	
Net assets	1,823,660	251,669	94,143	1,079,189	(1,047,460)	733,020	(1,047,460)	733,020	(1,047,460)	733,020	733,020	-	2,934,221	
Net assets attributable to NCI	857,121	118,284	10,685	228,248	(314,238)	293,208	(314,238)	293,208	(314,238)	293,208	(531,666)		661,642	
Revenue	2,728,923	1,767,295	117,509	(81,254)	(1,333,070)	751,264	(1,333,070)	751,264	(1,333,070)	751,264	-		3,950,667	
Profit/(loss)	339,735	96,895	25,895	(265,173)	(1,607,465)	(54,991)	(1,607,465)	(54,991)	(1,607,465)	(54,991)	-		(1,465,104)	
OCI	12,064	(645)	579	8,203	8,380	(2,941)	8,380	(2,941)	8,380	(2,941)	-		25,640	
Comprehensive income														
Profit/(loss) allocated to NCI	159,675	45,541	2,939	(56,084)	(482,240)	(21,996)	(482,240)	(21,996)	(482,240)	(21,996)	-		(352,165)	
OCI allocated to NCI	5,669	(303)	66	1,735	2,514	(1,176)	2,514	(1,176)	2,514	(1,176)	-		8,505	
Total comprehensive income	165,344	45,238	3,005	(54,349)	(479,726)	(23,172)	(479,726)	(23,172)	(479,726)	(23,172)	-		(343,660)	
cash flows from operating activities	491,289	2,134,568	58,420	99,356	307,130	129,330	307,130	129,330	307,130	129,330	-		-	
cash flows from investment activities	299,180	(1,018,926)	(19,934)	(301)	(170,800)	(35,677)	(170,800)	(35,677)	(170,800)	(35,677)	-		-	
cash flows from financing activities (dividends to NCI: nil)	(88,766)	45,912	(15,590)	(29,452)	(135,133)	589	(135,133)	589	(135,133)	589	-		-	
Net increase/ (decrease) in cash and cash equivalents as at 31 December 2019	701,703	1,161,554	22,896	69,603	1,197	94,242	1,197	94,242	1,197	94,242	-		-	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

46. Correction of errors

During the year ended 31 December 2020, the group made changes regarding recognition of deferred tax after recomputation of statutory reserves for UAP Life Assurance Limited for 2019 and 2018. The result led to the restatement of the total deferred tax for the period ended 2018. The errors have been corrected by restating the earliest reports period (2019) for each of the affected line items.

The following table summarises the impact of the corrections.

(a) Statement of profit or loss

2019	As previously reported	Adjustment	Restated
KShs '000'			
Total income	17,795,870	-	17,795,870
Total expenses and commissions	(8,124,706)	-	(8,124,706)
Finance costs – interest on borrowings	(1,229,538)	-	(1,229,538)
Finance costs – leases	(59,620)	-	(59,620)
Loss before tax	(3,228,975)	-	(3,228,975)
Income tax expense	(136,525)	(124,041)	(260,566)
Loss for the year	(3,365,500)	(124,041)	(3,489,541)
Loss attributable to:			
Owners of the parent	(3,013,335)	(124,041)	(3,137,376)
Non-controlling interest	(352,165)	-	(352,165)
Loss for the year	(3,365,500)	(124,041)	(3,489,541)
Basic and diluted EPS (KShs)	(14.23)	(0.61)	(14.84)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

46. Correction of errors (continued)

(b) Statement of other comprehensive income

2019 KShs '000'	As previously reported	Adjustment	Restated
Loss for the year	(3,365,500)	(124,041)	(3,489,541)
Total items that will be recycled to profit or loss	(23,475)	-	(23,475)
Total items that will not be recycled to profit or loss	(20,559)	-	(20,559)
Total other comprehensive income for the year, net of tax	(44,034)	-	(44,034)
Total comprehensive income for the year	(3,409,534)	(124,041)	(3,533,575)
Total comprehensive income attributable to:			
Owners of the parent	(3,065,874)	(124,041)	(3,189,915)
Non-controlling interests	(343,660)	-	(343,660)
Total comprehensive income	(3,409,534)	(124,041)	(3,533,575)

(c) Statement of financial position

As at 31 December 2019

KShs '000'	As previously reported	Adjustment	Restated
Capital Employed			
Share capital	1,058,590	-	1,058,590
Share premium	4,612,626	-	4,612,626
Retained earnings	7,197,981	(453,728)	6,744,253
Fair value reserve for equity investments	513	-	513
Translation reserve	(202,240)	-	(202,240)
Statutory reserve	-	446,287	446,287
Contingency reserve	415,542	-	415,542
Revaluation surplus	42,682	-	42,682
Total capital and reserves	13,125,694	(7,441)	13,118,253
Non-controlling interest	661,642	-	661,642
Total Equity	13,787,336	(7,441)	13,779,895

NOTES TO THE FINANCIAL STATEMENTS (Continued)

46. Correction of errors (continued)

(b) Statement of other comprehensive income (continued)

Assets			
Total assets	56,840,607	-	56,840,607
Liabilities			
Deferred tax liability	678,196	7,441	685,637
Total liabilities	43,053,271	7,441	43,060,712
Net assets	13,787,336	(7,441)	13,779,895

As at 1 January 2019

KShs '000'	As previously reported	Adjustment	Restated
Capital Employed			
Share capital	1,057,099	-	1,057,099
Share premium	4,612,626	-	4,612,626
Retained earnings	10,206,124	83,141	10,289,265
Fair value reserve for equity investments	513	-	513
Translation reserve	(170,260)	-	(170,260)
Statutory reserve	-	33,459	33,459
Contingency reserve	415,542	-	415,542
Revaluation surplus	68,433	-	68,433
Total capital and reserves	16,190,077	116,600	16,306,677
Non-controlling interest	1,005,302	-	1,005,302
Total Equity	17,195,379	116,600	17,311,979

Assets			
Total assets	58,676,063	-	58,676,063
Liabilities			
Deferred tax liability	969,700	(116,600)	853,100
Total liabilities	41,480,684	(116,600)	41,364,084
Net assets	17,195,379	116,600	17,311,979

NOTES TO THE FINANCIAL STATEMENTS (Continued)

47. Holding company

The ultimate holding company is Old Mutual Limited, a company incorporated and domiciled in South Africa.

48. Subsequent events

(a) Novel Coronavirus (COVID-19) Update

On 11 March 2020, the World Health Organisation (WHO) declared the novel Coronavirus (COVID-19) outbreak a pandemic in recognition of its rapid spread across the globe. The number of countries reporting cases of infected persons and fatalities associated with the pandemic is rising by the day.

Measures taken to mitigate the spread of the COVID-19

In order to mitigate risk of infection, the following measures were taken by respective Governments in East Africa, which affected the UAP Old Mutual Group:-

1. Partial or total lockdown in Uganda and Rwanda which involved complete suspension of all movement apart from those offering essential services as defined by the respective Governments.
2. Implementation of curfews commencing from 8 pm in Kenya within 5 counties and cessation of movement in/out of the 5 counties and South Sudan limiting nighttime movement.
3. Regional suspension of all international flights with the exception of cargo flights whose crew were required to observe strict guidelines.
4. Strict guidelines issued for the public transport sector with all public service vehicles required to adhere to strict directives issued by respective government agencies.
5. The suspension of social gatherings including religious gatherings, weddings, funerals and closure of places social gatherings (bars and restaurants) which were restricted to immediate family members only regionally.
6. The implementation of guidelines on basic hygiene and social distancing.

Economic Impacts

The economic impacts of these measures include:

- Disruption to business operations in 'significantly impacted countries' that have high and/or rapidly increasing infection rates.
- A significant increase in economic uncertainty, evidenced by more volatile asset prices and currency exchange rates, and a significant decline in long-term interest rates in developed economies.

Impact on the Group

The above measures have impacted the Group and its subsidiaries in the following ways:

- Business interruption arising from travel restrictions and logistics disruption.
- Changes in equity or debt securities prices, foreign exchange rates or interest rates after the reporting date that will significantly impact the measurement of assets and liabilities in future periods.
- Potential for liquidity strain should the situation persist for a prolonged period

The Group's messages have to date deliberately been aligned to the Governments' COVID 19 communications to focus on proper hygiene protocols and follow strict social distancing. The Group management team will continue to undertake scenario-based planning should the pandemic spread more widely across the countries where the Group has a presence. The Group is closely monitoring the situation, which is understandably, rapidly evolving. Except for the uncertainty associated with the global COVID 19 pandemic, the Directors were not aware of any matter or circumstances arising since the end of the financial year, not otherwise dealt with in the financial statements, which would significantly affect the financial position of the Group and Company and results of its operation as laid out in these financial statements (2019: Nil).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

48. Subsequent events (continued)

(b) Update on merger of UAP Life Assurance Limited and Old Mutual Life Assurance Company Limited

Following an Extraordinary General Meeting held on 31 December 2020 by Old Mutual Life Assurance Company Limited (OMLAC) shareholders, a resolution was passed to sell all the shares of the Company to UAP Life Assurance Limited (UAPAL). This decision was approved by the Kenya High Court on 22 January 2021 and awaits regulatory approval by the Insurance Regulatory Authority. The acquisition of OMLAC by UAP Life is by way of a cash settlement to the individual minority shareholders and a share settlement with Old Mutual Holdings Limited. This arrangement will result in UAP Holdings Plc continuing to exercise control although its shareholding in UAP Life Assurance Limited will reduce from 100% to 55.7% with the remaining 44.3% being held by Old Mutual Holdings Limited.

After all regulatory approvals are obtained, the directors expect to run OMLAC as a closed fund with a view of fully merging the business into UAP Life Assurance Limited by 31 December 2021.



75
YEARS
IN AFRICA

100
YEARS
IN EAST
AFRICA



**175 YEARS OF
HELPING YOU SET YOUR GOALS**

NOTICE OF THE 13TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirteenth Annual General Meeting of the shareholders of UAP Holdings Plc will be held on Friday, 25th June 2021 at 11.00 a.m. via electronic platforms, to transact the following business:

1. Reading of Notice

The Secretary to read the notice convening the meeting, table the proxies and to confirm the presence of quorum.

2. Confirmation of Minutes

Confirmation of the Minutes of the 12th Annual General Meeting held on 25th June 2020.

ORDINARY BUSINESS

3. Consideration of Reports

To receive, consider and if thought fit, adopt the Audited Financial Statements for the year ended 31st December 2020 and the Reports of the Chairman, Directors' and Auditors' thereon.

4. Declaration of Dividend

To note that the directors do not recommend the declaration or payment of a dividend in respect of the financial year ended 31st December 2020.

5. Remuneration Report

To approve the directors' remuneration for the year ended 31st December 2020 as provided for in the Financial Statements and to authorize the Board to fix the remuneration of Directors for the current year.

6. Election of Directors

To approve that:

- i. Dr. Catherine Adeya who was appointed to fill a casual vacancy in accordance with Article 116 of the Articles of Association of the Company and being eligible offers herself for election as a director of the Company
- ii. Mr. Arthur Oginga who was appointed to fill a casual vacancy in accordance with Article 116 of the Articles of Association of the Company and being eligible offers himself for election as a director of the Company

7. Rotation of Directors

To approve that the directors below, be re-elected and appointed as directors of the Company in accordance with the Company's Articles of Association:

- i. Mr. Clement Chinaka retires by rotation at the dissolution of the meeting and being eligible, offers himself for re-election in accordance with Articles 119, 120 and 121 of the Company's Articles of Association.
- i. Mr. Mike Harper, retires by rotation at the dissolution of the meeting and being eligible, offers himself for re-election in accordance with Articles 119, 120 and 121 of the Company's Articles of Association.
- ii. Mr. James Muguiyi, retires by rotation at the dissolution of the meeting and being eligible, offers himself for re-election in accordance with Articles 119, 120 and 121 of the Company's Articles of Association.
- iii. Mr. Vincent Rague retires by rotation at the dissolution of the meeting and being eligible, offers himself for re-election in accordance with Articles 119, 120 and 121 of the Company's Articles of Association.

8. Directors above the Age of 70 Years

Pursuant to paragraph 2.5.1 of the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015, to approve the continuation in office of Mr. James Muguiyi who has attained the age of seventy (70) years.

9. Board Audit Committee

In accordance with the provisions of Section 769 of the Companies Act 2015, the following directors being member of the Board Audit Committee be elected to continue to serve as members of the Committee:

- i. Mr. Robert Mbugua – Chairman
- ii. Mr. Vincent Rague
- iii. Ms. Susan Omanga
- iv. Mr. George Maina

10. Appointment of External Auditors

To note that the auditors Messrs KPMG Kenya, being eligible and having expressed their willingness, will continue in office in accordance with Section 721(2) of the Companies Act, 2015 and to authorize the directors to fix their remuneration in accordance with Section 724(2) of the Companies Act, 2015.

SPECIAL BUSINESS

11. Acquisition of Old Mutual Life Assurance Company Limited (OMLAC) by UAP Life Assurance Limited

To ratify the acquisition of Old Mutual Life Assurance Company Limited (OMLAC) by UAP Life Assurance Limited through the acquisition of 217,487,052 ordinary shares each of Kes.10 which comprised the entire share capital of OMLAC at a consideration of Kes. 11.92 per ordinary share.

ANY OTHER BUSINESS

12. Any other Business

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 Articles of Association of the Company.

By Order of The Board



Nkirote Mworira Njiru
Secretary
May 2021

Notes:

1. This annual general meeting is being convened virtually in accordance with the Company's Articles of Association and shareholders will be able to register to follow the meeting, vote electronically or by proxy and may ask questions in the manner detailed under the 2021 Instruction Note to shareholders available on the Company's website: <https://www.uapoldmutual.com/images/UAPH-2021-Notes-for-virtual-AGM.pdf>
2. In accordance with Article 171 and 173 of the Articles of Association of the Company, the following documents: (a) Notice of the AGM and Proxy Form - <https://www.uapoldmutual.com/images/UAPH-AGM-2021-Proxy-Form-and-Voting-Card.pdf>; (b) the 2020 audited financial statements - <https://www.uapoldmutual.com/images/UAP-Holdings-PLC-2020-Audited-Financial-Statements.pdf> are available on the company website.

Notes:

1. In accordance with Article 171 and 173 of the Articles of Association of the Company, the following documents: (a) Notice of the AGM and Proxy Form; (b) the 2021 audited financial statements are available on the company website: www.uapoldmutual.com/investor-relations
2. Any shareholder wishing to participate in the AGM is required to register for the meeting through the link to the AGM Platform available on the online portal <https://digital.candrgroup.co.ke> or by dialing *384*041# and following the various prompts regarding the registration process. Shareholders will not incur any cost for such registration. In order to complete the registration process, shareholders will need to have their ID/Passport numbers which were used to purchase their shares and their Shares Account.
3. Registration for the AGM opens on Wednesday 16 June 2021 at 8:00 a.m. and will close on Thursday 24 June 2021 at 12:00 noon. Shareholders will not be able to register after Thursday 24 June 2021 at 12:00 noon.
4. For assistance, shareholders should dial the following helpline numbers: +254 20 7608216 from 8:00 a.m. to 4:00 p.m. during the registration open period. Any shareholder outside Kenya should dial the helpline number to be assisted to register or send an email to digital@candrgroup.co.ke.
5. Shareholders can access the Virtual AGM by clicking the AGM link to view the livestream and vote and submit questions. Shareholders without internet access can access the Virtual AGM and vote and submit questions using their log in credentials via USSD *384*041#.
6. Shareholders wishing to raise any questions may do so prior to the AGM (during the registration open period) or during the AGM by:
 - a. During the AGM**
 - i) Shareholders accessing Virtual AGM via <https://digital.candrgroup.co.ke> platform; Select Attend Event; Select **UAP Holdings PLC** AGM; Select Q&A option tab and submit questions in text box provided; or
 - ii) Shareholder accessing Virtual AGM via USSD platform; Dial *384*041# Use the menu prompts to Select option for Q&A and submit their questions (within 160 character limit for sms text).
 - b. Prior to AGM**
 - i) Accessing <https://digital.candrgroup.co.ke>; Select Attend Event; Select **UAP Holdings PLC** AGM; Select Q&A option tab and submit their questions in the text box provided; or
 - ii) Sending their written questions by email to digital@candrgroup.co.ke; or
 - iii) To the extent possible, physically delivering their written questions with a return physical address or email address to the offices of Custody and Registrars Services Ltd, Company's AGM Administrator, at IKM Place, Tower B, 1st Floor, 5th Ngong Avenue.
 - Shareholders sending questions by email or delivering to C&R Group must provide their full details (full names and Shares Account Number) when submitting their questions and clarifications. Also attach a copy of your ID/Passport.
 - All questions and clarification must reach the C&R Group on or before **Wednesday 23rd June 2021 at 12:00 Noon.**
7. Shareholders wishing to vote may do so prior to the AGM (during the registration open period) or during the AGM by:
 - a. During the AGM**
 - i) Shareholders accessing Virtual AGM via <https://digital.candrgroup.co.ke> platform; Select Attend Event; Select **UAP Holdings PLC** AGM; Select Voting option tab and vote; or

ii) Shareholder accessing Virtual AGM via USSD platform; Dial *384*041# Use the menu prompts to Select the option for Voting and follow the various prompts regarding the voting process

b. Prior to AGM

iii) Follow the same process as that of questions set out in 6 b above.

8. In accordance with section 298(1) of the Companies Act, 2015, 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 must be signed by the appointor or his attorney duly authorized in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be given under its common seal or under the hand of an officer or duly authorized attorney of such body corporate. A proxy need not be a member of the Company. A form of proxy is available on the company website www.uapoldmutual.com. A completed form of proxy should be emailed to proxy@candrgroup.co.ke or delivered to **Custody and Registrars Services Ltd**, at IKM Place, Tower B, 1st Floor, 5th Ngong Avenue, so as to be received not later than Wednesday, 23rd June 2021 at 12.00 noon. When nominating a proxy, the ID/Passport No., email and/or mobile number details of the proxy must be submitted to facilitate registration. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than Thursday 24th June 2021 to allow time to address any issues.
9. The Virtual AGM will be accessible to shareholders and proxies who have duly registered and received the log-in credentials. Duly registered shareholders and proxies will receive a short message service (SMS/USSD) prompt on their registered mobile numbers, 24 hours prior to the AGM acting as a reminder of the AGM. A second SMS/USSD prompt shall be sent two hours ahead of the AGM, reminding duly registered shareholders and proxies that the AGM will begin in two hours' time and providing a link to the live stream.
10. Results of the AGM voting shall be announced in the meeting and within 48 hours following conclusion of the AGM on the Company's website: www.uapoldmutual.com under the Investor Relations tab.
- 11. Shareholders are encouraged to continuously monitor the Company's website www.uapoldmutual.com for updates relating to the AGM due to the continuous evolving situation with COVID-19 pandemic and the Government directives being subject to change. Additionally, you are reminded to keep your electronic gadgets fully charged ahead of the meeting. This will minimize dropping off from the meeting should there be an extended power interruption/fluctuation in your area. We appreciate the understanding of our shareholders as we navigate the changing business conditions posed by COVID-19 pandemic.**

Kindly also register your consent below and return this consent to Custody & Registrars Services Ltd (C&R Group) Group by email or by return mail at their registered offices.

Approval of registration

I/We register to participate in the virtual AGM to be held on Friday 25 June 2021 at 11:00 a.m.

Consent for the use of Mobile number and email address:

I/We provide my/our consent for the use of my mobile phone number and or email address for purposes of voting and participating at the AGM.



DRIVING GROWTH IN EAST AFRICA

FORM OF PROXY

I/WE

being a member* / members of UAP HOLDINGS PLC hereby appoint:

of P.O. Box and failing him/her the Chairman of the meeting to be my/our Proxy, to vote for me/us at an Annual General Meeting of the company to be held on Friday, 25th June 2021 via electronic means at 11:00 a.m. or at any adjournment thereof. As witness by my/our hands this day of 2021..

Signed

Please indicate with a tick in the appropriate block how you wish your vote to be cast:

Agenda item	Ordinary Business	For	Against
2	To confirm the Minutes of the 12th Annual General Meeting held on 25th June 2020	<input type="checkbox"/>	<input type="checkbox"/>
3	To receive, consider and adopt the Audited Financial Statements for the year ended 31st December 2020 and the Reports of the Chairman, Directors' and Auditors' thereon	<input type="checkbox"/>	<input type="checkbox"/>
4	To note that the director's do not recommend the declaration or payment of a dividend in respect of the financial year ended 31 December 2020.	<input type="checkbox"/>	<input type="checkbox"/>
5	To consider and approve the Directors' remuneration for the year ended 31 December 2020 as provided in the financial statements and to authorize the Board to fix the remuneration of Directors for the current year.	<input type="checkbox"/>	<input type="checkbox"/>
6	Election of Directors To approve that: i. Dr. Catherine Adeya who was appointed to fill a casual vacancy in accordance with Article 116 of the Articles of Association of the Company and being eligible offers herself for election as a director of the Company ii. Mr. Arthur Oginga who was appointed to fill a casual vacancy in accordance with Article 116 of the Articles of Association of the Company and being eligible offers himself for election as a director of the Company	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>
7	Rotation of Directors To approve that the directors below, be re-elected and appointed as directors of the Company in accordance with the Company's Articles of Association: i. Mr. Clement Chinaka retires by rotation at the dissolution of the meeting and being eligible, offers himself for re-election in accordance with Articles 119, 120 and 121 of the Company's Articles of Association. ii. Mr. Mike Harper, retires by rotation at the dissolution of the meeting and being eligible, offers himself for re-election in accordance with Articles 119, 120 and 121 of the Company's Articles of Association. iii. Mr. James Muguiyi, retires by rotation at the dissolution of the meeting and being eligible, offers himself for re-election in accordance with Articles 119, 120 and 121 of the Company's Articles of Association. iv. Mr. Vincent Rague retires by rotation at the dissolution of the meeting and being eligible, offers himself for re-election in accordance with Articles 119, 120 and 121 of the Company's Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>

OLDMUTUAL

75
YEARS
IN AFRICA

100
YEARS
IN EAST
AFRICA

DRIVING GROWTH IN EAST AFRICA



UAP



175 YEARS OF DOING GREAT THINGS