

UAP HOLDINGS LIMITED

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	31-Dec-17	31-Dec-16	% Change
	Kes M'	Kes M'	
Gross written premium	19,293	19,391	(0.5%)
Gross earned premium	19,895	18,735	6.2%
Reinsurance ceded	(4,397)	(3,308)	32.9%
Net earned premium	15,498	15,427	0.5%
Investment income	3,983	3,115	27.9%
Commissions earned	799	691	15.6%
Other income	244	185	32.0%
Total income	20,524	19,418	5.7%
Net claims payable	(9,390)	(9,836)	(4.5%)
Operating and other expenses	(6,073)	(5,614)	8.2%
Commissions payable	(2,295)	(2,194)	4.6%
Finance costs	(764)	(553)	38.1%
Profit before tax from continuing operations	2,002	1,221	64.0%
Loss on disposal of subsidiary	(39)	-	
Profit before tax	1,963	1,221	60.8%
Income tax expense	(753)	(395)	90.7%
Profit for the period	1,210	826	46.5%
Other comprehensive income	180	(927)	n.m
Total comprehensive income for the period	1,390	(101)	n.m
Basic and diluted EPS	5.54	4.43	25.1%
Profit attributable to equity holders of the company	1,172,248	937,102	
Weighted number of shares in issue	211,420	211,420	

ABRIDGED CONSOLIDATED STATEMENT OF CASHFLOWS	31-Dec-17	31-Dec-16
	Kes M'	Kes M'
Net Cash flow from operating activities	(1,537)	1,208
Net Cash flow from investing activities	2,330	(2,250)
Net cash flow from financing activities	(1,064)	2,987
Cash and cash equivalents at beginning of year	7,636	5,691
Cash and cash equivalents	7,364	7,636

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	Share Capital & Share Premium	Retained Earnings	Other Reserves	Non-controlling Interest	Total Equity
	Kes M'	Kes M'	Kes M'	Kes M'	Kes M'
Balance at 1st January 2017	5,670	9,266	1,506	1,252	17,694
Profit for the period	-	1,172	-	37	1,210
Re-measurement of retirement benefit obligations	-	(292)	-	-	(292)
Fair value gains of Equities through OCI	-	-	359	0	359
Currency translation differences	-	-	31	(32)	(1)
Gains on revaluation of PPE	-	-	73	-	73
Elimination of disposal of subsidiary	-	-	41	-	41
Transfer to statutory reserve	-	(100)	55	45	-
2016 dividend paid	-	(359)	-	-	(359)
Elimination of disposal of subsidiary	-	255	-	-	255
Balance at 31st December 2017	5,670	9,942	2,065	1,303	18,980

PERFORMANCE IN FY 2017

The Group registered a marked improvement in business performance despite operating in a difficult environment in Kenya and the wider region. Generally, an increase in inflation due to drought in several East African countries adversely affected our customers' disposable income. The security in South Sudan though improved is far from normal and the economy has contracted. Furthermore, the prolonged electioneering in Kenya depressed economic activity as evidenced by data from the Kenya National Bureau of Statistics (KNBS) and Stanbic Bank's PMI.

Net Earned Premium (NEP) grew marginally by 0.5% to KES 15,498 Mn because of a decision to focus on profitable revenue growth. Consequently, our market share in key lines of business, particularly Health in Kenya, slightly decreased. At an aggregate level, the Health business' Gross Written Premium (GWP) reduced by 10.7% but P&C increased by 4.0%. Nevertheless, our efforts to improve core performance yielded a 4.5% savings in claims and benefits payable due to improved underwriting and a reduction in loss ratios.

Additionally, we undertook several efforts to realise cost savings including a restructuring that was concluded in March 2017. Operating expenses grew by 8.2% which compares favourably to the 2017 average inflation rate of 8.02% in Kenya, our largest market.

The reversal of two consecutive years of bear markets for the Nairobi Securities Exchange (NSE) had a notable impact on our investment income due to the appreciation of our equities portfolio. Furthermore, stable returns from fixed income and an increase in rental income from our investment properties contributed to a 27.9% growth in investment income compared to the prior year.

The combination of improved underwriting and solid investment returns culminated in a substantial increase in our Profit before Tax (PBT): we recorded PBT of KES 1,963Mn versus KES 1,221Mn in 2016 which is a 60.8% increase. Similarly, our Profit after Tax (PAT) was KES 1,210Mn versus KES 826Mn in 2016, an increase of 46.5%.

We are glad that our financial performance continues to improve as the benefits of the 2015 acquisition by Old Mutual Plc crystallise.

DIVIDEND

The Board of Directors proposes a dividend of KES 1.70 per share (FY 2016: KES 1.70 per share) to be recommended for approval by shareholders at the Annual General Meeting to be held on Wednesday, June 13th 2018.

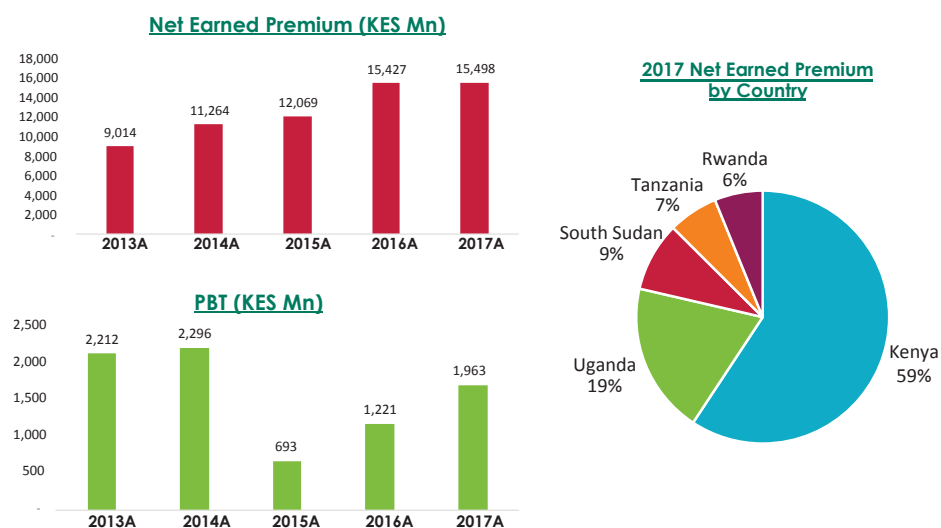
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	31-Dec-17	31-Dec-16
	Kes M'	Kes M'
CAPITAL EMPLOYED		
Share capital	1,057	1,057
Share premium	4,613	4,613
Fair value reserve for equity investments	1,599	1,240
Retained earnings	9,943	9,266
Translation reserve	(5)	(77)
Statutory reserve	397	342
Revaluation Surplus	73	-
Shareholders' funds	17,677	16,442
Non-controlling interest	1,303	1,252
Total equity	18,980	17,694
REPRESENTED BY:		
Assets		
Intangible assets	342	339
Property and equipment	2,740	560
Investment properties	20,299	21,799
Equity Investments	3,735	3,333
Government securities	12,150	11,920
Corporate bonds	1,544	1,879
Insurance and reinsurance contract related receivables	7,188	7,779
Other loans and receivables	2,725	2,535
Cash and deposits with financial institutions	7,364	6,883
Total assets	58,087	57,027
Liabilities		
Insurance and investment contract liabilities	16,793	15,881
Unearned premium reserves	6,969	7,591
Borrowings	10,840	11,032
Reinsurance payables	882	1,876
Other payables	3,623	2,952
Total liabilities	39,107	39,333
Net Assets	18,980	17,694

The Consolidated Statements of Profit or Loss, Other Comprehensive Income and Financial Position are extracts from the Group's financial statements which were audited by KPMG Kenya and received an unqualified opinion. The financials were approved for issue by the Board of Directors on Tuesday, March 13th 2018 and signed on its behalf by:

Dr JB Wanjui CBS
Chairman

Peter Mwangi
Group Chief Executive Officer

5-YEAR HIGHLIGHTS



PLAN GROW PROTECT

We are committed to **Planning, Growing & Protecting** every East African's dreams. This makes us **GOOD COMPANY**.

KEEP GOOD COMPANY

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